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The MAGAZINE of WALL STREET

and BUSINESS ANALYST

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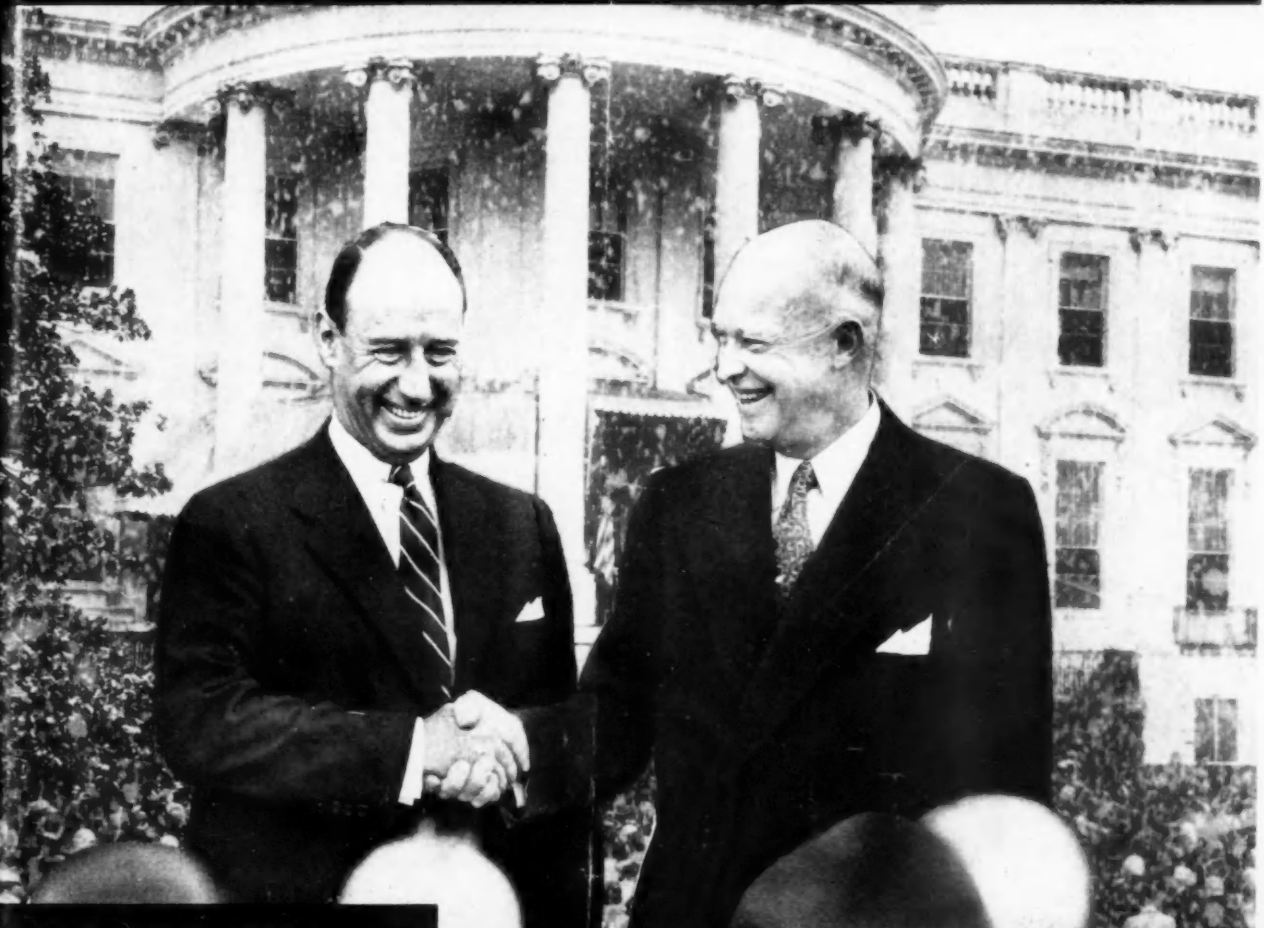

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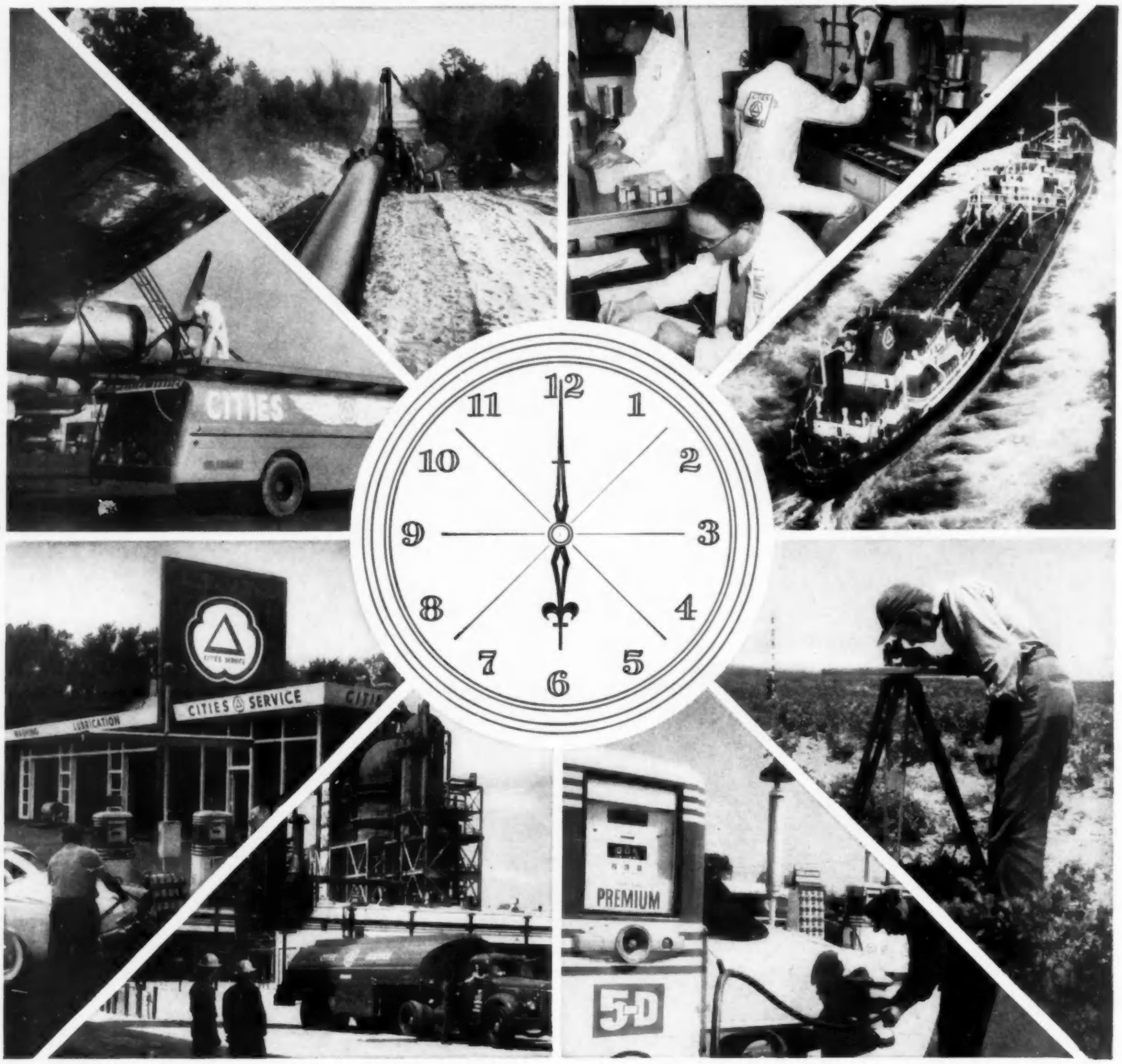
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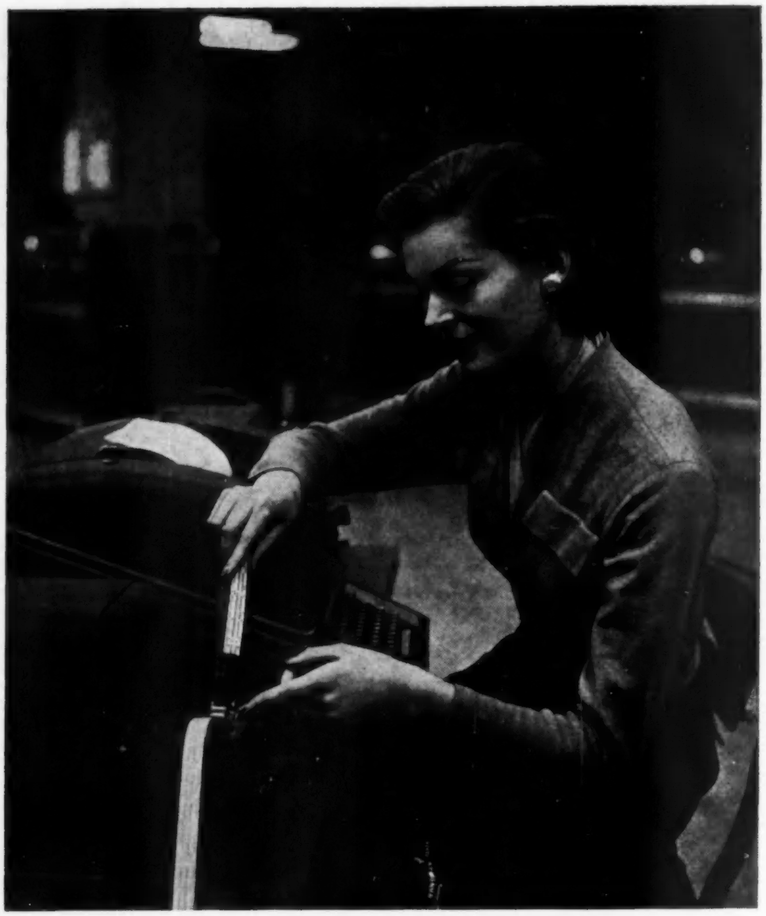
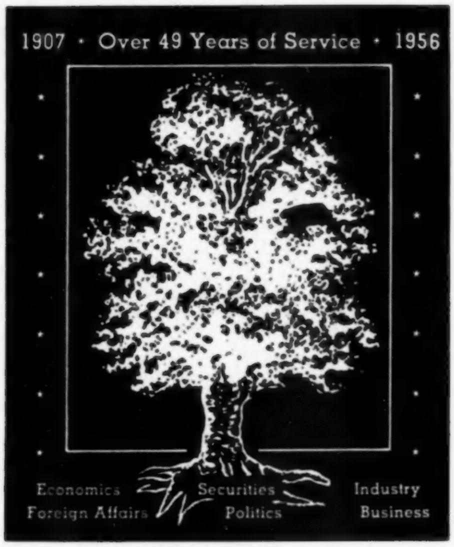


THE MAGAZINE OF WALL STREET

C. G. WYCKOFF, *Editor-Publisher*



The Trend of Events

NOW LET US UNITE . . . The election is over—and a free people have made their choice. Let us now join hands and get back to work, and prove to the world that, despite the acrimonious struggle for office which characterized the national campaign, we can close ranks behind the new Administration.

As much as we dislike the type of campaigning that mercifully has drawn to a close, the points brought out in the critical oratory, as well as the recent turn of events, have forcibly called attention to Administration strength and shortcomings, and showed our greatest weakness to be in the field of foreign diplomacy. This was clearly confirmed by the eruption in the Middle East, which in a matter of hours badly splintered the unity of the Western World and left us stranded with our new buddy, the Soviet Union.

We can scarcely hope to retrieve that unity with our allies which is the keystone of the Free World structure, unless we now close ranks and press forward to bolster an alliance that represents the best hope for freedom and peace.

The same is true, albeit to a lesser degree, of our domestic affairs. In the jockeying for political advantage, many of the hackneyed themes were played with great monotony. There were the quadrennial promises—to the farmers, to labor, to small business, to the aged and the rest. But here greater realism will now prevail.

There will, of course, continue to be differences, as indeed there are bound to be under our form of government. But now the gift of constructive criticism and honest differences can, once more, have full play. The President will have ample opportunity in the days ahead to display and exercise his gift for world leadership.

10 DAYS THAT SHOOK THE WORLD . . . No one who went to bed on Friday night, October 19, would have dreamed that he would awaken the next morning to the news that the Soviet Empire was beginning to crack up. The bold headlines left the world breathless, with new developments following one after the other in swift succession.

Then the uprising in Poland ended in Moscow's submission to the inevitable. It was, by and large, a bloodless affair. This was followed by the bloody revolt of another Soviet satellite, as Hungary threw off the Kremlin yoke. The demand for freedom spread to Romania—and the rest of Eastern Europe can not be far behind.

In Western Europe, meanwhile, the British and French were going it alone in the Middle East, weary of American temporizing and indecision. Britain and France, of course, are equals in the Western Alliance, but only a bold man would have dared to predict they would freeze the United States out of their councils in arriving at a decision to take military action in the Middle East.

At the close of World War II there were but two great powers—the United States and the Soviet Union. Washington was leader of the Free World bloc and Moscow ruled the East with a mailed fist. Only Marshal Tito of Yugoslavia defied the Kremlin masters and got away with it, showing how the courage of one man can make history.

We call the attention of the reader to our newly-devised Trend Forecaster, which appears as a regular feature of the Business Analyst. This new department presents a valuable market analysis of importance to investors and business men. To keep abreast of the forces that may shape tomorrow's markets, don't miss it!

BUSINESS, FINANCIAL *and* INVESTMENT COUNSELLORS: :1907—*"Over Forty-nine Years of Service"*—1956

In the light of the rapid march of events of these past two weeks, the old alignments are breaking up. What of the future?

Only this much seems certain: Three hundred million Europeans have moved decisively to make the Continent once more a prime factor in world affairs. Their economy may not resemble our own, but then it is not likely to resemble the Soviet form either. Rich in culture, energies, resources and manpower, Eastern Europe, reborn, will move ahead under the stimulation of the new freedom. These countries have much time to make up—they are late in emerging from the devastation of the war and the enslavement of their people, first by the Germans and then by the Russians. More power to them!

DULLES AND STALIN... Shortly before his unlamented departure from this world, Marshal Stalin told his Soviet followers that the danger of a clash between the Communist orbit and the Western World was less likely than a death struggle between the members of the Western camp. And, of course, Stalin devoted the last years of his life to bringing about such a struggle. In this project, at least, Stalin sustained a first-class setback.

But the prize that was denied the Boss Butcher of the Kremlin in his lifetime may become, after all, a posthumous triumph. For our Secretary of State, Mr. Dulles, achieved with astonishing swiftness what the Soviets never could do—he has all but shattered the ties that bound us to Britain and France.

This has been accomplished by arraigning the British and French before the bar of world opinion as aggressors in the Middle East. And this we have done in a fashion to make out *the real aggressor* as a pitiful victim. For there can be no doubt that Egypt's Col. Nasser, by his unlawful seizure of the Suez Canal, his fomenting of rebellions against the French in North Africa and his years-long harassment of Israel by land and sea, wreaking death and destruction, in no way resembles a victim of aggression.

While the United States reserved the right to be critical of the measures chosen by these three nations in retaliating against a long string of provocations, it failed utterly to present the whole picture in its true light.

The alacrity with which the Kremlin and the Tito-Nasser clique (significantly silent while the Red Army killed defenseless Hungarians a few days earlier) joined in the chorus of condemnation is a measure of our failure to deal intelligently with the situation. Never before in this century has the United States broken so sharply with its traditional allies. The measure of our folly may not be known for many years, for the Kremlin moves in its own good time to exploit such situations.

BOILER-ROOM BOYS STILL WITH US . . . There has been a considerable upsurge in the operations of the boiler-room fraternity, whose members never lack for new get-rich-quick promotion schemes. Of course, it is the promoters who get rich quick, not the lambs. Not a few of these operators have been put out of business but not until countless lambs have been shorn.

A warning against the slick operator should not be necessary to the sophisticated investor, but the urge to take a flyer is human nature, and there are plenty who are gullible. Many newcomer-investors find irresistible the glib promise of "double your money fast." And the frantic warning "not to wait" often provides the lubricant that sets the wheels in motion for the croupiers.

We sympathize deeply with such victims. And we feel sorry, too, for the reputable investment counselor, who gives only calculated guidance born of years of experience and seeks to help the investor to acquire a stake in the well-entrenched companies that offer the best prospects for genuine profit and income. His counsel is healthy, but what if people want hoopla?

HELP WANTED . . . The difficulty of obtaining a competent secretary or a young engineer has become almost a legend in this age of unparalleled opportunity. Nor is the dearth of intelligent and willing employes confined to these levels. For it is a fact that the growing and complex business scene now is witnessing a shortage of executives. This condition has been noted by Thomas T. Oyler, a vice president and secretary of the Kroger Co., who blames it on the fact that there was little executive training either during the depression years or World War II. In the meantime, top management has been aging.

In 1928, trained executives under the age of 40 comprised more than 15% of all business executives. By 1952, those under 40 made up a mere 6% of the total. This situation long has been known to folks close to business, but the foregoing statistics bring into focus a condition that is of the utmost seriousness. It may very well be that should this trend continue many companies would be forced to amend their regulations governing compulsory retirement at a stipulated age.

This, of course, is not the solution. Educational opportunities must be increased. Business already is doing much to alter the depressing picture, but it would appear that much more remains to be done.

THE TAX-GATHERER AND THE ASCETIC . . . For more than 2,000 years dedicated men have preached stoicism, with generally negligible results. But the tax-collector down the ages has been outstanding in promoting its practice. We are prompted to this reflection by the frequent sight of a shopper deciding not to buy an article, be it witch hazel or a wallet, on being informed that a luxury tax must be paid. Depending on what part of the country you are in, there also is the fact that a local sales tax must be paid.

Epictetus is distinguished among Stoics by his renunciation of the world. We have no little confidence that the tens of millions of luxury-loving Americans will one day turn on their tormentors who would make them into a race of ascetics. That forecast, to be sure, is for the long term and nothing to count on in our own lifetime.

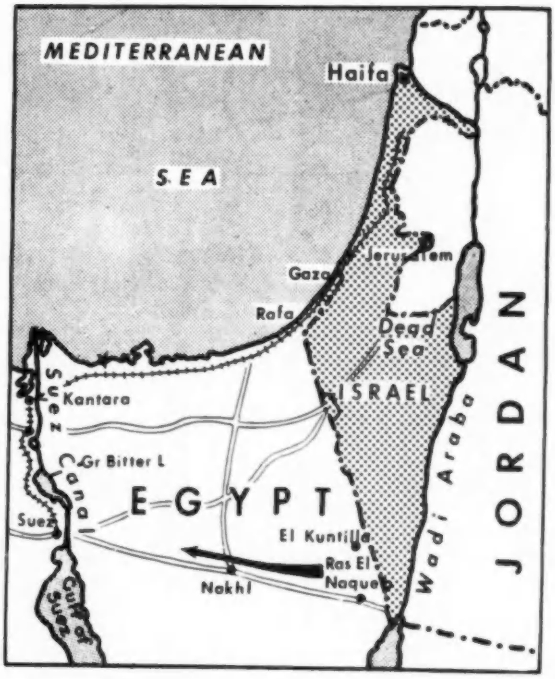
As I See It!

By CHARLES BENEDICT

UNITED NATIONS IS RESPONSIBLE FOR MID-EAST CONFLAGRATION

Anyone listening to the debate in the United Nations General Assembly on the first United States resolution against the British, French and Israeli Governments could clearly see that these three countries took the matter into their own hands when they were unable to secure justice against ~~grave Egyptian provocation~~ which threatened the economic lives of Britain and France, and the very existence of Israel.

Moreover, it was clear from the roll-call that there was no justice possible for these three countries, because the majority of the nations voting was composed of pro-Arab and Soviet-controlled states, leaving the entire Western bloc greatly in the minority, so that Russia, as the leader of the other two blocs, controlled the U.N. voting power.



And it was particularly noticeable, too, that, while the General Assembly had been called into special session to vote for a cease-fire in the Middle East, Russia was not even slapped on the wrist for using armed force in Hungary a few days before. And what is more, when the Italian delegate, toward the close of the session asked that the Hungarian matter be placed on the agenda, he was entirely ignored, to the great shame of the United Nations. It was interesting to note, too, when the Russians were finally censured days later for their newly-launched and intensified, wanton invasion of helpless Hungary, the Arab bloc abstained from voting, further emphasizing that Russian influence, rather than justice, was the determining factor.

While possibly there was some basis for charging Britain and France with aggression, legally there was none whatever as far as Israel was concerned, because Egypt's Col. Nasser long had been at war with that little country. In fact, he had given this as his reason for preventing Israeli ships from moving through the Suez Canal. How, therefore, could the United Nations charge Israel with aggression when these two countries were actually at war? It was illegal and immoral to do so. Did the U.N. expect Israel to wait to be slaughtered?

Nor has the United Nations up to date done any thing to punish Nasser, who, without notice, broke the Suez Canal contract with Britain and France, which was to run until 1968, a contract that was re-affirmed in 1950—after which Nasser refused to let the World Court adjudicate the matter, nor would he compromise on any of the plans suggested for a settlement. Yet, instead of taking action against him and forcing him to arbitrate, the U.N. refused to come to grips with the realities of the situation.

In a court of law, any individual (and all governments are merely representatives of many individuals) who had committed such a breach of contract would have been subject to penalties, and if he failed to pay up, the sheriff would have been sent in to take over. And yet the U.N., whose avowed purpose is to secure justice for all its member nations, sat by and did nothing but temporize while the situation was going from bad to worse.

Viewed against the background of Col. Nasser's uncompromising stand, it is not difficult to understand why Britain and France felt impelled to take independent drastic action. At the suggestion of the United States in 1953, as a part of her goodwill gesture toward Egypt, Britain began to withdraw her force, leaving behind important air field installations and arms depots of great value. It is understandable therefore that London should now want to destroy these installations, financed by Englishmen. Is there any reason why they are obligated to help Nasser to control the canal and to carry on his grandiose bid for power in the Arab world, so harmful to the British position?

As far as the French are concerned, their troubles have been mounting. Not only do they see the possibility of enormous financial loss as a result of the seizure of the Suez Canal, but they have been greatly damaged by the revolts stirred up by Nasser in Algeria, Morocco, and his self-constituted leadership of all nationalization movements in Asia and Africa.

And, as far as Israel (*Please turn to page* 236)

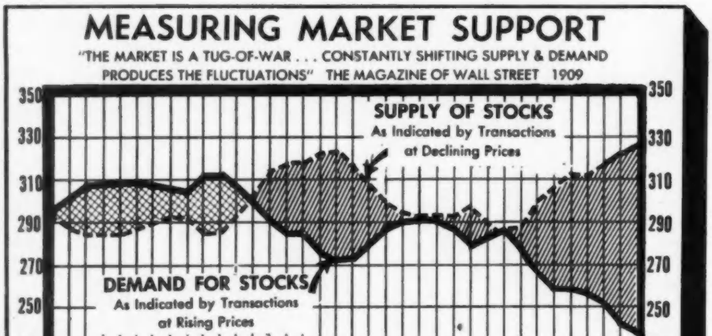
Your Securities Under Foreign Tension

At this time, grave foreign uncertainties have been superimposed on previous uncertainty about prospects for business activity, corporate earnings, credit supply and money rates beyond the forepart of 1957. Over-all performance of the stock market remains indecisive. We continue to advocate a cautious, conservative, selective investment policy.

By A. T. MILLER

This discussion is written on the eve of our national election, shortly after momentous developments in East Europe, and immediately after the start of a fateful military slowdown in the Middle East, precipitated by the Israel-British-French assault on Egypt. As regards the consequences of the latter, and things to come in East Europe, the visibility at this time is low. Hence, the stock market is erratic, confused and confusing in day-to-day performance.

The one certainty is extreme uncertainty, making the near-term and medium-term prospects for stock prices largely guesswork; and calling for a high degree of caution in investment policy and in investing thinking about Middle East developments and contingencies. The jumbled picture could change in a day, week or month.



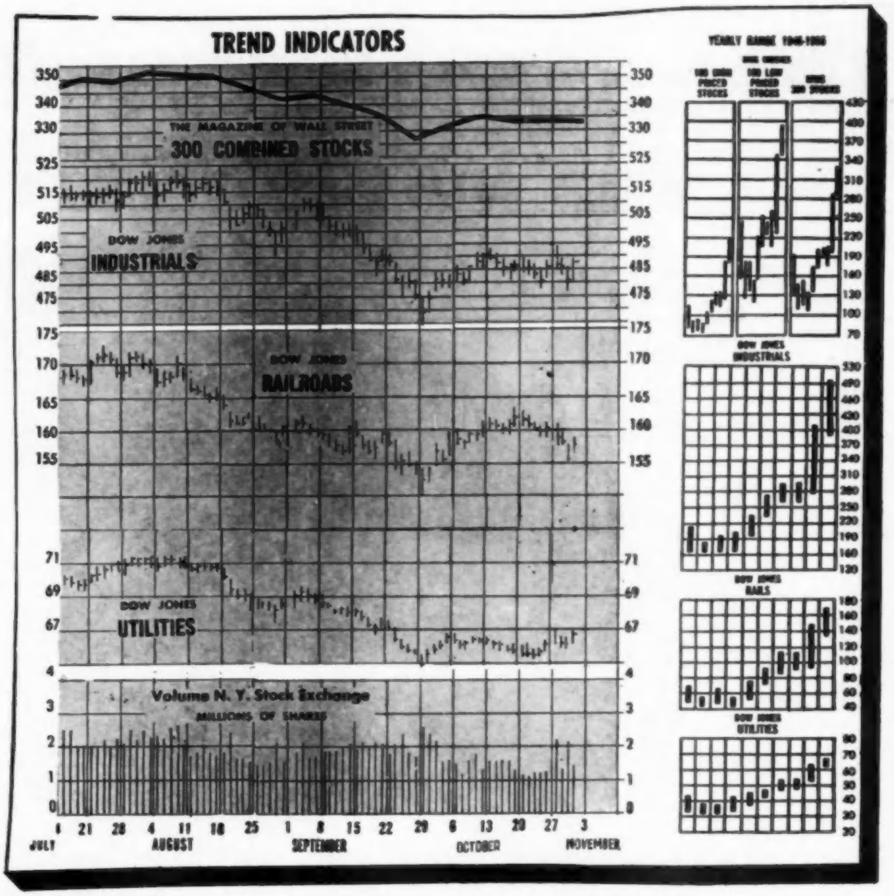
Market Without Definite Pattern

Here are the highlights of recent market performance, footing up to trading-range gyrations in the daily averages, without any definite pattern and with fluctuations of individual stocks highly mixed:

(1) The fairly sharp August-September sell-off, without violation of last May's support levels for industrial or utilities; (2) a partial recovery to about mid-October; (3) partial cancellation of the latter in a moderate downward drift to October 25; (4) a brisk rally starting October 26 (probably facilitated by rising election hopes), which was extended for a time in the initial trading session last week for a maximum two-day upsurge of about 15 points in the industrial average, but which was largely scaled down following news of the Israeli advance into Egypt; (5) hesitation last Tuesday; (6) a Wednesday drop of 6.62 points in the industrial average on news of British-French military intervention in Egypt; (7) a more than full rebound Thursday, following President Eisenhower's firm iteration of an independent American policy of avoiding military involvement and seeking a cease-fire (with full withdrawal of Israel-British-French forces) through procedures of the United Nations; (8) a moderate extension of selective market strength through last week's close.

The net result is that this paradoxical market stands around its best October recovery level for industrials and utilities, although not for rails; comfortably above its October 1 lows for all three averages; substantially under the best summer levels—and thus in an indecisive trading range now extending into its fourth month. The performance is "better than the news," and some will take that as heartening. But a reservation is

in order. The fact is that the market has an unimpressive long-term record in initial response to, and interpretation of, momentous foreign developments. Pending more light on them in the present instance, it is only common sense to keep your fingers crossed.



Assaying the Election

As we write, the market assumes—and has for several weeks assumed—the re-election of Eisenhower, retention of Democratic control of the Senate, a narrow division in the House. If that has been the outcome when these observations reach you, it means that we keep pretty much what we have had heretofore in general Government policies; and that no important legislation can be enacted if opposed by a sizable majority of either Democrats or Republicans. On that basis, no more than a mild and transient market celebration, if any, would appear to be justified. Something could be added to it by a surprising Republican sweep of Congress. Given a surprising Stevenson victory, the market probably will be lower when you read this discussion, even though intelligent investors know that he is more of a "middle-roader" than has been suggested by the campaigning tactics and strategies he felt impelled to adopt.

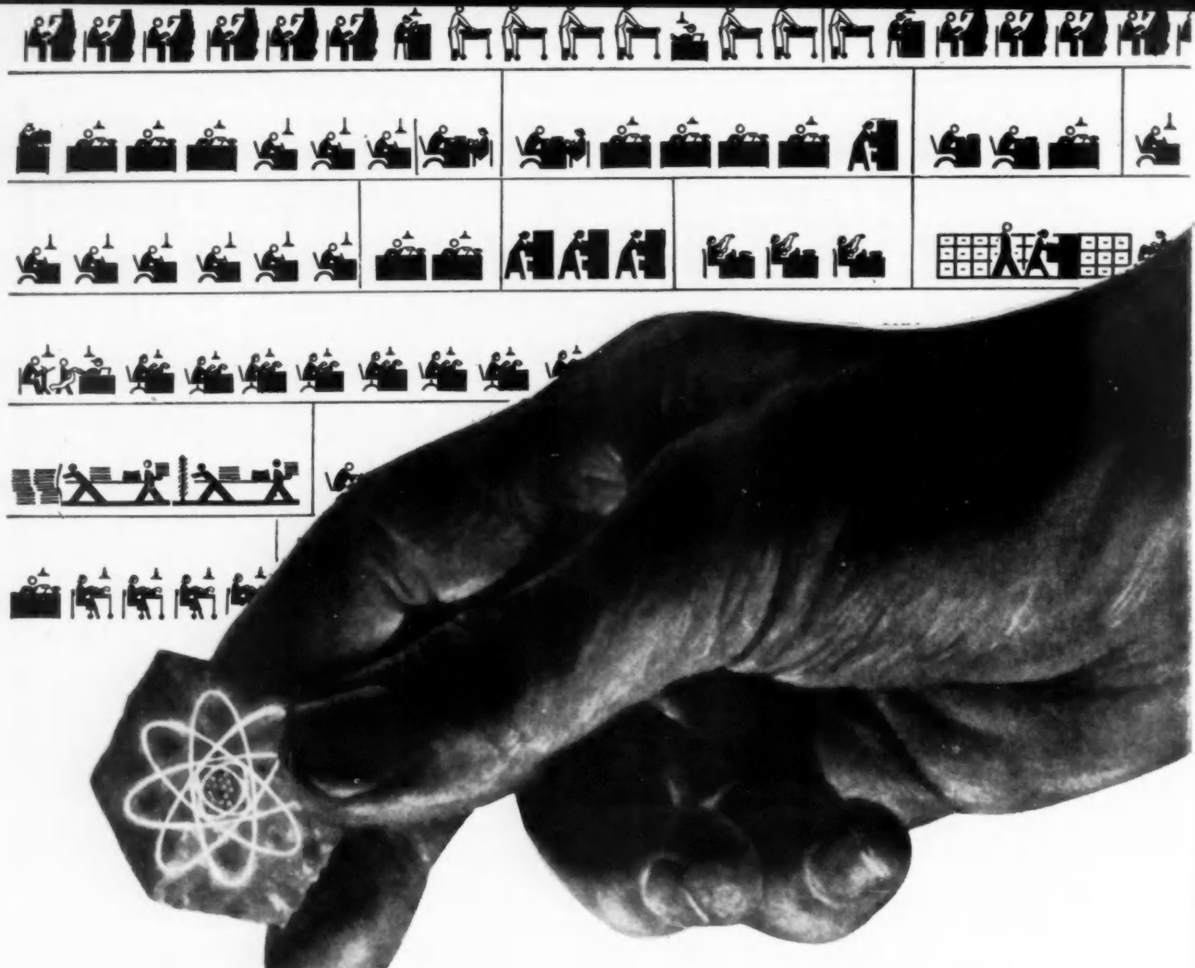
As regards East Europe, there have been two alternatives: (1) a further crumbling of Russian control and influence, whether rapid or gradual; or (2) a tighter jailing of the captive peoples by Russian force. The latter is clearly indicated by week-end events. The peaceful break between Polish and Russian Communism was one thing. The bloody Hungarian revolt against Russian domination and Hungarian Communism was something else again. It has now been brutally crushed—and the "independent" Poles have second-thought worries. These matters are important with respect to the area of human freedom in this world, to the cold war, to Russia's trouble-making power and prestige—but they cannot be major considerations for investors in the absence of either U. S. military involvement or a stable peace which would permit significantly reduced defense spending and a resultant cut in taxes.

Nobody can say what the outcome in Egypt may be, but there is every reason to suppose it will be determined by force. Nasser is, of course, an ambitious, trouble-maker dictator. Will he be quickly smashed, relegating Egypt to her proper place as a relatively unimportant, inoffensive nation, free to work out her own destiny without designs and intrigues against others? That would be a good thing for the free world and, in the long run, even for the Arab countries. Perhaps that is what the stock market expects, or hopes for. But it might not be that simple.

Will the Russians intervene by supplying "volunteer" forces to Egypt or allied Arab states; or decide against such a challenge to democratic Britain, France and Israel? If they intervene actively, even if covertly, can the United States indefinitely keep hands off? If worst came to worst, could we fail to line up on the side of freedom, against the dictators and enslavers? What will the other Arab states do? Instead of an early and lasting solution satisfactory to the West, will there be protracted guerrilla warfare and turmoil in the Middle-East, regardless of how the initial assault on Egypt comes out? We repeat: The answers to all these vital questions are unclear.

Business Outlook Unchanged

There has been no change in the business picture since our last previous analysis was written. Over-all activity probably will hold about at the present record level into the 1957 first quarter and perhaps through it. The key question still is whether the next significant change will be toward recession, originating in the important capital-outlay sector of the economy and in an *(Please turn to page 236)*



ATOMIC ENERGY

Engineer of Peace

By McLELLAN SMITH

The United States is further advanced in the promotion of peaceful use of atomic energy than is generally known. In this exclusive story will be an outline of what has been accomplished; how it can immeasurably strengthen the free peoples of the world, and prevent aggression.

Offered is a golden opportunity to create a strategic United States of Europe, fusing enormous populations, talents, resources and common purpose for the perpetuation of peaceful co-existence—cherished hope of all constructive-thinking people.

Too long has Europe been an area of conflict which has involved the rest of the world again and again. United, the European nations can have access to the power needed for their industrial advancement and trade benefits resulting from co-operative effort—so that the envy, hatred and fears of each other can be eliminated by making available the means for a better life for all.

In the possession of the United States are the components of such a structure: the experience, raw and finished materials, and wherewithal for development of the atomic energy which one day must revolutionize the world – peacefully or *otherwise.*

A-power is the catalyst which the United States may employ to help create a cohesive and enduring United States of Europe. It is the ticket of admission of this country into a third great World Bloc, surpassing in potentiality (1) the Communist Bloc and (2) the Arab Bloc.

It can be an insurer of peace beyond the fond hopes of those who have been architects of any one or more of the economic or military associations of nations which have had fatal weaknesses unfitting them for the rule of a permanent, peace-preserving entity. Those associations had limited participation, limited interest. Hastily created to cope with immediate problems, and born of expediency, they lacked what it takes to erect what the Founding Fathers described in Colonial days as "a more perfect union."

The Atomic Energy Commission and the Export-Import Bank have made an important start. The Agreements of Co-operation, on the basis of which this nation can aid other countries in promoting A-energy production, is the original charter.

Underwriting Territorial Integrity

Common interest in the peaceful use of atomic energy can expand the unity needed to bring about the creation of a United States of Europe. Such a federation would be powerful enough to insure the territorial integrity of the member States. It would be a potent warning against would-be aggressors as it worked toward an industrial-economic strength heretofore not dreamed of.

The United States, through the AEC and the Export-Import Bank, has drawn the basic blueprint. The two agencies have readied themselves to give active assistance. Foreign nations and private utilities of foreign nations can turn to the AEC and the Bank for solid aid in the construction of atomic power plants. To get this help, the nations need only to take the initial step—entering an Agreement of Cooperation with this country.

Export-Import Bank loans will be available for A-power plant construction on terms similar to those which have been in force for the past 22 years in which have been financed the construction of conventional-type electric power plants. Strings attached to A-power loans are not unreasonable. We will ask only for proper engineering surveys and evidence of financial feasibility of the individual projects.

Requirements Not Onerous

To insure proper, efficient construction of such financed plants there is the stipulation that proceeds of the loans can be spent *only* for equipment, materials and technical services to be exported from the United States. In a measure, the stipulation is superfluous. The United States enjoys near-monopolies in supplies of fissionable elements and technical know-how. Further, we have the industrial establishment capable of building A-power reactors with a speed nearing that of mass production. We could bring reactors to shipside before any other nation could build the initial plant for their production.

The term "near-monopolies" is essentially correct although we do not have all of the fissionable ores within the continental United States. They are found in Canada, the Belgian Congo and elsewhere. We do have, however, contracts for the basic ores lying in those areas. In addition, the United States has in being the vast facilities necessary to rapid extraction of fissionable materials from basic ores. These are facilities which cannot be brought into being overnight.

American advancement that has given us the commanding position is reflected in a recent report of the AEC, which reveals release of 56 basic patents for public use. These range from simple heat-exchanger pumps through uranium recovery processes. In between are some 25 or 30 essential to atomic reactor design and construction.

Further augmenting our leadership is the completion, and in being, of nine high-temperature producing reactors, 22 under construction and 47 planned for starts in 1957. In addition, nearly 50 more reactors for research purposes are under actual or planned construction. These research units may well lead to better, more efficient reactors than now actually exist.

Industrial Leaders Active

Design and construction of A-power reactors has been accomplished by such American industrial giants as Westinghouse, General Electric, Duquesne Light, and Consolidated Edison (N. Y.). Now building or construction completely planned, are A-power reactors by Yankee Atomic Electric Co., Florida Power Corp., Glenn L. Martin and American & Foreign Power Co.

It is estimated that private power companies in this country already have committed $300 million for atomic generating facilities. The Yankee Atomic project, made up of 11 New England utilities, entails expenditure of $35 million, plus an additional $5 million from the AEC. New York's Con Edison will spend some $55 million of its own funds to build the largest of the nuclear stations, a 236,000-kilowatt unit. The Yankee and Con Edison groups expect to be generating nuclear-fueled power in 1960.

Other American know-how in A-power reactor design and application is pointed up by the Navy submarine "Nautilus," successful beyond anticipation; present construction of two more A-powered submersibles, and well-advanced plans for the construction of an A-powered, ocean-going cargo carrier. Not too far in the future are the nuclear-powered airplane and railway locomotive.

Until now, European nations not behind the Iron Curtain have been slow in executing Agreements of Co-operation with this country. Belgium, France, The Netherlands, and Switzerland and the United Kingdom are the only countries which have "signed up." None has actually sought financial or technical aid for reactor construction. The situation is somewhat disheartening to those who see A-power as an immediate necessity to Europe's economy.

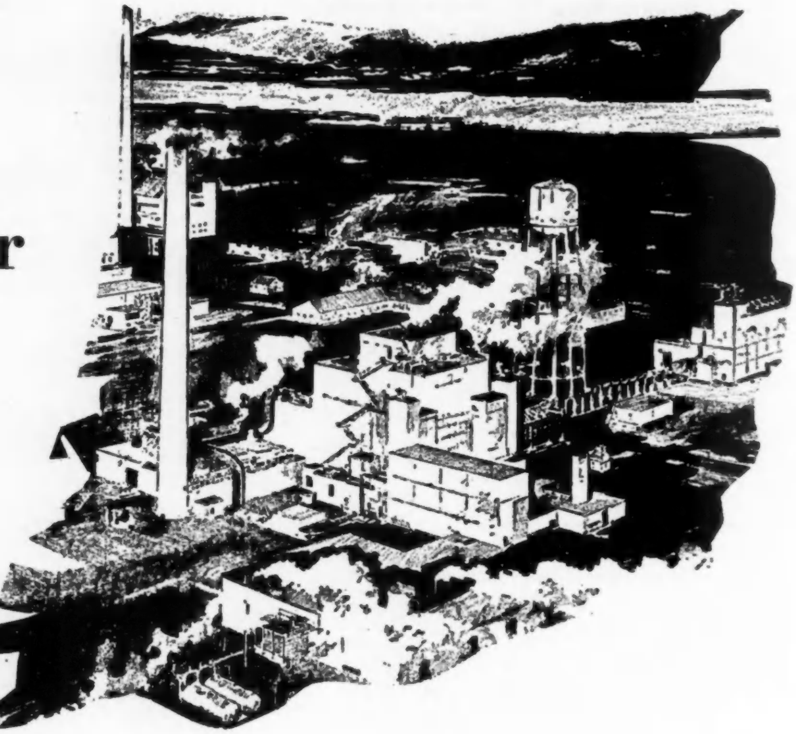
This necessity arises from basic facts, starkly etched. The free nations of Europe have developed 95% of their hydro-electric potentials; the Suez Canal crisis hovers over Middle East petroleum supplies; coal output lags, largely through disaffection and indifference on the part of the miners. President Eisenhower has pointed up Europe's danger from a Middle East oil cut-off. His order to the Director of Defense Mobilization to plan construction of 50 high-speed tankers capable of bringing Europe's oil around the southern tip of Africa tells the story.

Soviet As A Factor

Potential Russian atomic power aid to the free nations of Europe is "out the window" for cogent reasons. No one knows Russia's exact progress in peaceful applications of A-power. It is a safe conclusion, however, that Russia's progress has not been comparable with that of this country. Further, it is not conceivable that Kremlin leaders will freely share their atomic knowledge with those nations outside the Red orbit.

If, through some unforeseen miracle of decency, the Russians decided to share peaceful atomic know-how with the democracies of Europe, this is not the time they could effectively share. As this is written, the Kremlin butchers have flaming Poland and Hungary as threats to their dreams of world domination. Despite her military might, Russia has problems transcending those of helping Western Europe with A-power developments. (*Please turn to page* 217)

What 3rd Quarter Earnings Reveal



—*Looking to 4th Quarter and Early 1957*

PART 2

By PHILLIP DOBBS

A measure of the extent to which business profits have leveled off may be gleaned from the earnings reports for the third quarter of this year. Selecting 100 companies at random, it was found that 61 of these managed to raise their net profit while the remaining 39 sustained declines. A similar survey undertaken for the year-ago period showed only 17 of 100 companies failed to boost their net in the July-September period.

More and more, there emerges a spotty profits picture, made especially noteworthy since over-all output as the third quarter of 1956 approached its close equaled the all-time high established in December of 1955. The current quarter should establish an all-time production record.

In selecting 100 companies at random this year, care was taken to eliminate steel companies (which had to cope with a five-week strike during the period) and railroads, which feel the impact of such a stoppage almost at once. To be sure, all segments of industry are affected by a lengthy strike in the basic steel industry, but it is noteworthy that the majority of those companies (in the study) showing smaller net profits nevertheless came up with increased volume.

Similarities to 1955 Noted

There was a striking similarity to the third quarter of last year. Then, as now, the laggards (containing a good sprinkling of industrial giants in both years) generally failed to surpass the profits showing made in the year-earlier quarter because labor, raw-materials costs and transport, along with the other incidental expenses of doing business, rose sharply. Then, as now, they failed frequently to attain a higher net profit despite a substantial rise in volume.

Since the third quarter of 1955, of course, corporations have incurred ever higher costs. The 1956 round of wage increases, especially, is pinching profits. Wages have been rising faster than productivity.

Quarterly Comparison of Sales, Profit Margins and Earnings

	3rd Quarter 1956			2nd Quarter 1956			1st Quarter 1956			4th Quarter 1955		
	Net Sales (Millions)	Net Profit Margin	Net Per Share	Net Sales (Millions)	Net Profit Margin	Net Per Share	Net Sales (Millions)	Net Profit Margin	Net Per Share	Net Sales (Millions)	Net Profit Margin	Net Per Share
Allegheny Ludlum Steel	$ 48.8	1.1%	$ .15	$ 79.0	5.7%	$1.21	$ 74.7	6.1%	$1.23	$ 73.4	6.2%	$2.33
Allis-Chalmers	137.9	2.8	.43	153.6	3.9	.74	140.5	4.1	.71	138.5	4.8	.81
American Cyanamid	122.0	8.8	1.03	252.8[1]	8.9[1]	2.18[1]	......	....	......	114.8	9.9	1.18
Atlantic Refining	123.2	8.5	1.14	126.7	7.8	1.07	148.4	8.2	1.32	140.0	10.7	1.64
Atlas Powder	17.0	6.2	1.41	17.5	7.2	1.71	15.4	6.2	1.28	15.1	6.1	1.26
Caterpillar Tractor	156.6	8.3	1.42	178.8	8.5	1.68	158.6	7.6	1.29	144.7	7.1	1.20
Continental Can	234.3	4.8	1.44	200.1	4.7	1.20	155.7	3.2	.63	155.8	2.5	.53
Continental Oil	142.5	9.5	1.39	140.6	8.3	1.21	144.6	9.5	1.41	139.1	8.5	1.22
Corn Products	78.7	6.2	.55	74.6	3.9	.31	73.1	5.9	.48	99.9	8.9	1.04
Ford Motor	868.8	1.5	.25	1,161.4	4.9	1.07	1,203.1	6.1	1.37	na	na	na
General Electric	1,003.8	4.7	.55	1,012.5	5.7	.67	946.4	5.8	.63	849.3	7.0	.68
General Motors	2,275.4	5.9	.48	2,804.0	7.8	.79	3,604.5	7.8	1.01	2,899.5	9.5	.95
Gillette	50.7	13.5	.72	54.1	14.6	.85	48.7	16.9	.89	43.5	18.9	.87
Hercules Powder	53.0	na	.48	67.1	7.7	.63	57.3	7.9	.55	64.4	7.3	.57
Industrial Rayon	13.1	4.8	.34	11.8	7.4	.48	19.9	12.9	1.40	20.6	14.1	1.57
Johns-Manville	81.4	8.5	1.08	82.6	9.5	1.23	64.6	6.3	.64	76.8	9.2	2.18
Koppers Co.	74.1	3.3	1.02	80.0	4.0	1.35	68.6	5.3	1.54	68.2	3.5	1.13
Lehigh Portland Cement	22.4	14.2	.84	22.8	15.2	.92	11.9	12.9	.40	18.2	17.7	1.70
Minneapolis Honeywell Reg.	69.8	7.1	.76	66.6	7.5	.77	58.1	7.8	.69	72.2	10.7	1.20
Monsanto Chemical	127.1	5.3	.32	139.6	7.6	.51	140.6	8.0	.54	na	na	na
National Gypsum	37.6	7.8	.75	41.8	10.4	1.27	39.5	11.5	1.34	37.9	9.1	.97
National Lead	138.4	9.0	1.05	145.9	10.4	1.29	143.6	9.5	1.16	143.7	9.5	1.16
Owens-Corning Fiberglas	45.7	5.1	.37	43.3	6.7	.47	38.8	7.1	.44	44.1	7.7	.60
Parke, Davis & Co.	32.1	11.1	.73	34.0	13.0	.90	32.5	12.9	.86	32.9	14.6	.98
Penn-Dixie Cement	16.1	18.1	1.10	14.7	18.1	1.00	6.8	13.6	.35	11.0	15.2	.54
Pfizer (Chas.) & Co.	41.7	8.9	.70	43.3	11.5	.89	43.8	10.4	.88	43.9	8.8	.73
Phillips Petroleum	252.1	7.9	.58	249.0	9.3	.68	258.8	10.9	.83	250.3	11.9	.87
Pittsburgh Consol. Coal	46.2	6.8	.49	46.3	5.8	.42	50.3	6.5	.51	50.4	12.4	.96
Radio Corp. of America	286.0	2.7	.50	251.6	2.8	.47	274.8	4.6	.85	314.6	5.2	1.12
Rayonier	33.4	9.1	.58	37.1	11.6	.82	35.4	10.4	.70	36.8	9.9	.70
Republic Steel	201.8	2.1	.28	351.4	7.5	1.71	332.5	7.5	1.62	315.9	7.3	1.47
Rohm & Haas	39.0	8.4	3.20	41.9	8.5	3.47	40.6	10.4	4.11	42.9	11.9	4.50
St. Regis Paper	80.2	6.0	.67	86.1	7.0	.86	81.4	7.6	.95	77.4	7.5	.80
Scott Paper	66.5	7.6	.63	66.6	8.4	.70	66.8	8.6	.72	61.7	8.7	.67
Thompson Products	71.8	3.7	.95	74.0	3.6	.97	68.8	3.1	.75	71.7	3.2	.83
Union Carbide & Carbon	319.2	10.0	1.10	307.9	11.0	1.16	309.9	11.6	1.24	330.0	11.9	1.33
U. S. Gypsum	70.3	15.6	1.36	71.2	15.5	1.36	66.1	14.6	1.20	66.2	15.4	1.27
U. S. Steel	764.9	4.5	.52	1,168.7	8.9	1.83	1,100.5	9.4	1.83	1,093.7	9.8	1.80
Wrigley (Wm.) Jr., Co.	24.2	12.6	1.55	24.0	12.2	1.49	20.7	13.6	1.43	20.1	12.4	1.27
Youngstown Sheet & Tube	109.6	3.0	.99	181.6	6.2	3.34	176.0	5.7	3.01	166.4	7.4	3.68

na—Not available. [1]**—6 months.**

Nor is there any sign that this trend will be halted any time soon. In many areas of the economy wage rises have been granted this year, with the added proviso that more will be forthcoming in 1957 and 1958. This is the three-year-contract vogue, sought by many industries in the belief that it will enable them to plan ahead without the worry of yearly walkouts and not knowing what their costs will be.

The steel industry provides an example of this. For the three-year term the boost granted to the C.I.O Steelworkers approximated 50 cents to 55 cents an hour. The hike for this year probably averaged about 20 cents. The steel industry already has boosted prices on its products and when it absorbs the increased wages next year there is bound to be more of the same. And then there is 1958.

Price Increases Over Wide Area

Nor are price increases confined to steel. Prices were going up even before steel price increases were effected. The pace was stepped up after the steel hike, of course. Coal followed swiftly. The rash of price increases, made in scores of industries, testifies to the dire need of hundreds of companies to effect at least a partial recovery of these newly-increased costs.

Not all companies are in position to pass on the higher costs growing out of rising prices for labor, raw materials, fuel, transport and the like. This is especially true for manufacturers of appliances and other consumer durables. In the textile industry, as another case in point, product prices are on the bargain counter, while headed steadily upward are such items as labor costs, textile machinery, transport and fuel bills.

As for the latest steel hike pinch, it is not fully reflected in the earnings for the latest quarter, since they did not go into effect until the period was well underway and, in any event, hundreds of companies, armed with considerable stockpiles, were operating with lower-priced steel.

The situation is somewhat similar on the labor front, where higher wages were not fastened onto corporations until the quarter was well along. Still, the cumulative effect of higher costs on every front was plenty painful with every indication that the months ahead would bear growing witness to a profits squeeze.

Competition Bar to Hikes

While there has been a rash of price increases, and more will come, such action provides no simple solution for most manufacturers, who must vie for business in a fiercely competitive economy. By and large, increased earnings these days stem from higher production levels and improved efficiency of operations.

That greater production norms and increased efficiency hold out the best chances for higher earnings may be discerned in the shrinking of the profit margin over the past year. The majority of chemical companies, as an example, show a declining profit margin. This is particularly interesting, since these companies have a relatively modest labor factor.

Thus, it may be seen that the labor factor, while it is a major headache, is only one of many. Not a few companies sustained sharply higher costs for research, engineering, new-product development, expanded promotional programs, intensified sales and service training, and that sort of thing.

Consumer Never Had It So Good

The foregoing points up the peculiar nature of the economy. What we are undergoing is, for the most part, a "cost" inflation. This hits at corporate profit margins. Consumer purchasing power, at record levels, has scarcely felt the pinch, especially that broad segment of the populace that works for wages, which have been rising faster than prices.

To repeat, there is not now in sight any relief from the growing pressure on business profits. While profits for the current quarter are certain to be higher than the third quarter, a period of vacation-close-downs, it must be remembered that the last three months of the year will be helped by the Christmas season. Moreover, the steel industry will operate full tilt in this quarter after the shutdown in the third quarter and the automotive industry will be humming with new models whereas the preceding quarter was marked by changeover and part-time operation. Earnings of the automotives, not unexpectedly, shrank sharply in the July-September period.

The adjustments of 1956 have, in many instances, been interrupted and deferred until 1957, due largely to artificial stimulants growing out of the steel strike. The outlook between now and next February is encouraging, helped by record capital spending, the stimulus of new-car models and the improvement in soft-goods sales.

Decline In Defense Work

A long-time underpinning to the fortunes of some of our corporate leaders proved less sturdy in the latest quarter. This was the absence of huge defense contracts. Thus, General Motor Corp., which ranks high among the 25 top defense suppliers, felt the impact of declining armaments work. In the first nine months of this year, GM defense sales accounted for only 5% of its total sales. This compares with 8% last year and 18% in 1953, a year in which defense sales were at their peak. Stepped-up defense ordering should help many companies in the months ahead, although in the case of GM the trend seems to be toward less work of this kind.

At this juncture it would appear that there is not now in sight any major new force that might carry the boom well into 1957. Those companies appear destined to fare best that are in a position to exploit higher production levels and greater efficiency of plant. Let us proceed to analyze at close range several of the representative companies. We would also call attention to the table of figures accompanying this article, based on official company figures and given on a quarter-by-quarter basis.

UNION CARBIDE & CARBON CORP. share earnings fell to $1.10 a share in the third quarter from $1.30 shown for the corresponding period of 1955. This setback in earnings came despite record sales totaling $937 million, a jump of 9% from the year-ago period. The decline was caused by the steel strike, which reduced profit margins and held down sales volume. Moreover, increased labor costs of the chemical kingpin were not reflected in selling prices during the period. Only the (*Please turn to page* 228)

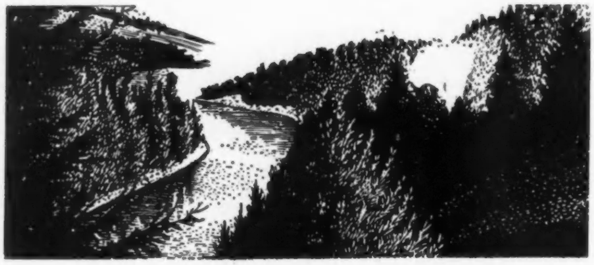
By JOSEPH C. POTTER

RESOURCEFULNESS Overcomes The Depletion of RESOURCES

There probably is no more wasteful people than Americans, a fact well known to those who have traveled abroad, where "use it until it wears out" and "make do" constitute a way of life. The profligacy of Americans has stirred no little concern among our own scientists, economists, business people and Government leaders.

If Americans are the richest people in the world, they also are the "neediest." That is to say, their consumption of natural resources surpasses anything beyond our borders. Thus, the energy needs of a single American tote up to 17 barrels of oil and eight tons of coal per year. He also uses up, over a year's time, 1,260 pounds of steel, 23 pounds of copper, 13 pounds of aluminum, 520 pounds of cement, nearly nine pounds of manganese (most of it foreign) and more than a pound of tin (all of it foreign).

Since children are being born at the rate of 480 an hour, or well over 4 million per year, and net population growth is approaching 3 million annually, it entails no exercise in higher mathematics to realize that each year the country needs more and more of each of these resources, plus dozens of others, to enable us to live in the style to which we have accustomed ourselves. Mounting demand must, inevitably, deplete our precious resources and force us to turn to less accessible and poorer sources of raw materials.



Appetites Grow Faster than People

In the present century the population has more than doubled, but the ravenous appetite of Americans for the material things of life has grown at an even faster pace. Over the same span our energy use has climbed fivefold, copper consumption sevenfold and steel consumption tenfold. Oil was mentioned in the Old Testament, but it was not until our time that it came to the fore. Oil use, indeed, has risen 7,500% since the turn of the century.

Many of these increases would have been on an even more colossal scale but for an industrial technology that paved the way for use of other raw materials. The Government patent official who resigned his post in the last century because he felt there was nothing left to invent was somewhat premature. And those people who have warned that we are destined to become a have-not nation as irreplaceable natural resources are depleted, reckoned without the research laboratories that have made of aluminum a stern competitor of copper, titanium a strong competitor of aluminum and developed an array of synthetics that has lessened dependence on long-accepted raw materials.

Depleted by Wars and Largesse

To aggravate the strain on our natural resources, this country in the present century has fought two major wars and a medium-size conflict. It is no exaggeration to say that the weight of those resources broke the back of enemy forces in the last Great War.

In addition to the drain on our natural resources growing out of these wars, the Americans, who are no less generous than they are wasteful, poured out their substance in a mighty flood to rehabilitate the lands of friends and foe alike. Our coal, iron, nonferrous metals, timber, oil and scores of other products have succored many peoples whose lands lay in ruins. Indeed, it was recognition of the fact that oil-rich America one day would be an importer of oil on balance that played a larger role in sending our capital overseas to develop foreign resources. And it will take more than oil, important though that be, to keep intact the greatest industrial technique and the highest standard of living the world has ever known. Over a wide range, there is dire need of low-cost raw materials to keep abreast of the growth of the economy and the population.

Research to the Rescue

If the American consumer has shown small concern over this vital problem, the same is not true of our industrial giants and responsible agencies at many governmental levels. Four years ago the Government-appointed Materials Policy Commission spelled out for the man in the street the true measure of the problem. The commission noted that at the turn of this century the United States was able to export a net surplus equal to 15% by value of the raw materials we consumed, exclusive of food. A half-century later this country had to import 9% to supply our deficit. And this is not a temporary situation. By 1975, it has been calculated, we will have to import three times as much as in 1950.

The resourcefulness, ingenuity and enterprise of American corporations long have been manifest in research and development designed to create uses for once unknown ores, improve and make commercially feasible the many low-grade ores, to discover synthetic materials as a replacement for old standbys and to adapt long-neglected resources to the needs of a revolutionary economy.

Replacing Old Standbys

Silk, a resource of Japan, has been replaced in substantial measure by nylon which, along with such other synthetics as dacron and orlon, have provided fierce competition for the domestic natural fibers. It has been estimated du Pont expended $27 million in research and equipment before it made a pound of nylon. General Motors poured out $40 million before it turned out its first diesel locomotive, which eliminated coal as a major source of power on American railroads and contributed to the over-all efficiency of the economy.

Rubber, a resource of the Orient, is a commodity whose remoteness once filled us with anxiety. Denied the natural source during World War II, our research laboratories in cooperation with the Government spurred the infant petrochemical industry to come up with a synthetic that ended our dependence on the Malayan jungles. Combinations of oil and rubber companies have purchased Government-owned facilities in the past two years, with the result that productive and technological strides have been enormous. The ability of American corporations to produce about 1.5 million tons of the synthetic yearly has lessened dependence on crude rubber, made a solid contribution to the defense of the United States and forced the foreign producer to reckon with home-grown competition.

Research in the fields cited in the foregoing entails huge expenditures, much too rich for the blood of small fellows. The test-tube stage costs, of course, are dwarfed by the sums needed to move into commercial production. In the field of atomic energy, as an example, nuclear power stations now in the works represent an investment of almost a half billion dollars.

Resources and the Resourceful

Yet small business has benefited immensely from laboratory developments of the industrial kingpins, which have passed on the fruits of their labor to the small companies. Indeed, the Government is determined that the brainchildren of the big corporate laboratories shall be passed along even more liberally than hitherto. This sentiment has been manifest in recent months through consent decrees obtained by the antitrust division of the Justice Department after protracted disputes with the research giants.

Every industry in our modern-day economy stresses research leading to new products and finding new applications for existing products. It may come as a surprise to many that the food processors are busily engaged on this front. Thus 50-year-old Corn Products Refining Co. is more than a refiner of corn products. In a single year its Product Development Department may consider over 100 possibilities for the extension of corporate operations.

By-products of the business find their way into industrial channels — textiles, paper, foundry and adhesive trades. Research and development at Corn Products have indicated that dextrose will play an increasingly important role as a raw material for chemical products. Work on glucosides, using dextrose as a raw material, has proceeded satisfactorily. The use of zein for the production of Vicara fiber has grown steadily. Zein now is an established industrial product for cork binding, printing ink manufacture, shellac replacements, overprint varnishes, paper coatings and the like.

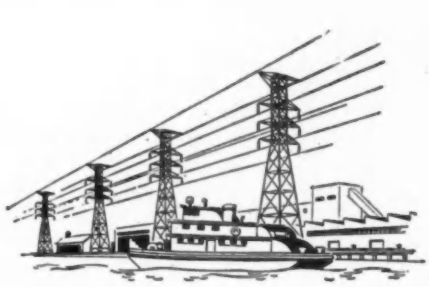
Our ability to meet the needs of the present-day economy is a testimonial to what B. Brewster Jennings, chairman of the board of Socony Mobil Oil Co., Inc., has called industry's "natural resourcefulness," rather than our natural resources. What our corporations and their laboratory technicians have done is to make better use of our raw materials. At the turn of this century, for example, it took about seven times as much coal to generate a kilowatt hour of electricity as it does today. A generation ago it took twice as much crude oil to produce a gallon of gasoline as it does today. And, of course, the present-day quality of the fuel in your car is far superior to the old product.

Oil prospectors dig deeper for oil, with the result that recovery is far greater and mining companies dig deeper for iron ore, which is not nearly so rich as the iron of yesteryear. Indeed, today's ore must go through a costly benefication process in many instances.

Taconite Into Steel

With the rich iron ores of the Lake Superior ranges being depleted, this country has turned to development of ore reserves in Canada, Venezuela and other lands. This program is reassuring, for our iron and steel industry needs about 130 million tons of the ore each year, importing on the order of 20 million net tons.

But even more reassuring would be an ample supply within our own borders. A step in this direction is the development in recent years of what amounts to a strapping young industry—the mining and processing of taconite, the comparatively low-grade hard ore which surrounds the richer deposits in the Lake Superior district. Taconite and the iron-



bearing rock of Upper Michigan and Northern Wisconsin that are similar in some ways to taconite are not newly-discovered sources of iron ore. More than 30 years ago an effort was made to process this rock on a commercial scale, but the effort met with failure. The super-hard rock, in which microscopic crystals of iron oxide are tightly imbedded, defied the processing method of that day. However, the persistency characteristic of the American mining engineer and the metallurgist succeeded in finding a way to process taconite. By grinding the rock fine enough to free the microscopic grains of magnetite (iron ore that is strongly attracted by a magnet) these were separated from the rest of the material. Through a series of steps the magnetite emerges in pellet form. These pellets are baked to a hard finish and contain, on an average, 62.5% iron. This compares with present Lake Superior natural ores averaging 51% iron.

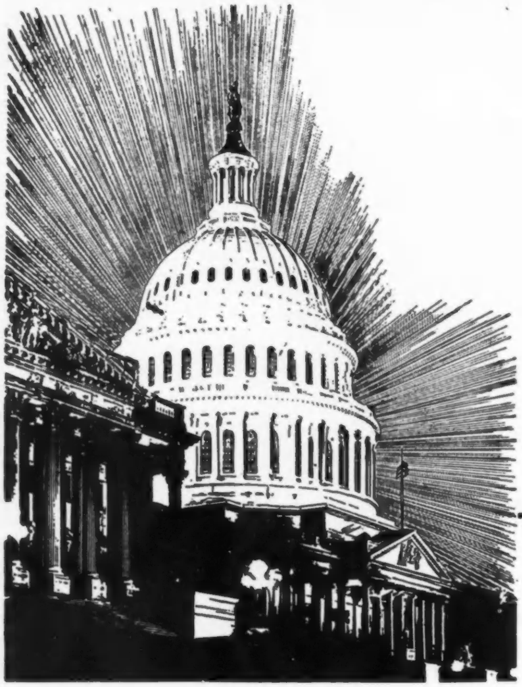
Thus taconite represents a rich source of iron ore. On the Mesabi range, it is conservatively estimated there are 5 billion tons of usable taconite—enough to produce 1.7 billion tons of concentrates, or almost as much iron as all the ore shipped in the history of the Lake Superior ranges.

Meeting Needs of Jet Age

The lively minds of American industry, busy with research in other fields, are making discoveries equally exciting and likewise of immeasurable importance in the age of jet-propelled transportation, nucleonics, guided missiles and the like. National Lead Co. is the leading miner of ilmenite, the titanium-bearing ore, which had its industrial birth little more than six years ago. The company joined with Allegheny Ludlum Steel Corp. to form Titanium Metals Corp. of America, producing titanium metals, alloys and related products.

At Tahawus, N. Y., National Lead has what is believed to be the largest single source of ilmenite in the world. It also has deposits in Florida. Other deposits held by the company are in Canada and Germany.

The National Lead-Allegheny Ludlum venture has the distinction of being the only integrated titanium metal producer in this country. At the Henderson, Nev., plant of Titanium Metals Corp. of America the operation relies on National Lead for supplies of ilmenite and rutile ores. These are processed into pure sponge, then melted and poured into ingots. They are shipped to Allegheny Ludlum for processing into forgings, bars, sheet, strip, wire, extruded tubing and bar-size shapes. The Henderson facilities have operated full tilt to meet requirements for military aircraft and the increasing demands of commercial aircraft. Titanium Metals last month purchased a plant at (*Please turn to page* 224)



Inside Washington

By "VERITAS"

LABOR began hedging its support of the Stevenson-Kefauver ticket as early as mid-October. The break-away wasn't general enough to label a turnabout but it was clear that the unions didn't relish the prospect of down-the-line defeat. From the start, AFL-CIO President George Meany thought it unwise to go all the way on indorsement of the Democrats. But he was overruled by the Walter Reuther bloc of organized labor. Reuther had "gone for all": He had insulated Gov. Mennen Williams against challenge in the gubernatorial primary; more than any other individual, he locked up the Presidential nomination for Stevenson by handing over the Michigan convention vote through his hand-picked Governor.

WASHINGTON SEES:

The outcome of the election will have important bearing on the future of bomb testing: It will be re-examined in the light of an entire new body of scientific opinion drummed out of its seclusion by the emergence of a campaign issue.

In the welter of scientific crossfire, one thing stood out: Detonation of fissionable and fusionable material, in the present state of control, is too dangerous to be continued.

On that fact, there is no disagreement. Ike advanced the idea of multilateral cessation of bomb-testing many months ago. He considers such a compact no less essential now than then. Therefore, Adlai was proposing nothing new. The Democratic Presidential candidate never quite clarified whether he would have this country stop first, depend on Russia to go along, or require simultaneous action.

To suggest that the Free World may rely on Russia's word is naivete beyond Stevenson. On the other hand, to suggest that Bulganin's expressed acceptance of a plan both candidates have put forth links one, but not the other, with communistic design is what Wendell Willkie called "campaign oratory."

IMPORTANT departure from the across-the-board Democratic indorsement came only two weeks ago when Ohio's AFL-CIO Political Action League spoke out in favor of re-election of Senator George Bender, Republican, over Frank Lausche, Democrat and career Governor. Lausche had supported Robert A. Taft in Ohio elections, wouldn't say whether he'd vote for or against Ike, and said he might, if elected, aid the GOP in organizing Republican control of the Senate. A good Republican is better than a pseudo-Democrat, the Laborites told their members.

CONGRESSIONAL level indorsement by Labor had not been straight Democratic. Exceptions were notable in their isolation from the normal pattern. But Ike-liking Teamster Dave Beck was working the local level in California in what was recognized in pre-balloting days as a strategic race: re-election of Senator Thomas Kuchel. And in North Carolina, the Textile Workers were asking members to register protest by casting their votes against Rep. Graham Barden—Democratic chairman of the House Labor Committee who is far to the right of any Republican in Congress on labor-management matters, they "accused."

POLITICAL ACTION arms of organized labor are the only campaign committees which operate the year around without reduced speed. The national committees of the two parties hibernate after each election and come to life a few months before the net balloting. PAC extends into every ward in the country and it's a labor of love. Result is a greater sensitivity to trends. When most other Democratic party adjuncts were wringing their hands in 1948, Labor was bullish on Truman, right up to poll-closing time. This year's widespread defections take on added interest in the light of that history.

As We Go To Press

▶ Judicial law, as distinguished from legislative enactment, may figure importantly in reshaping the body of labor-management relations in the next six months. Regardless of the outcome of the election, there appears to be small chance that major bills will be pushed to enactment. On the other hand, the Supreme Court of the United States opened its fall term by handing down orders announcing that several key issues in the field of labor will be examined on the basis of decisions reached in trial courts, and appealed.

▶ Major pronouncement was contained in refusal by the High Court to reconsider its decision of last May that state right-to-work laws may not be applied to the railroad industry. The unanimous decision upheld an amendment to the National Railway Labor Act which authorized railroads and unions to enter into union shop agreements under which employes must join the union representing their class of workers within 60 days. The court also refused to review a decision which upheld the National Labor Relations Board that discharge of employes for wearing union buttons was an unfair labor practice.

▶ Industry has an immediate interest in the outcome of the cases which are up for hearing. For example, a case involving whether an association of employers may jointly lock out a union which has struck against one member of the association. Also on the calendar: whether courts may order the enforcement of arbitration clauses in labor contracts. Whether it is an unfair labor practice for an employer after a strike to accord super-seniority to non-strikers, is before the justices. To be heard, too, are the legal arguments on whether courts may prohibit peaceful picketing aimed at inducing employees to join a union.

▶ The Federal-State issue is basic in a case headed for the High Bench involving whether labor agencies of a state may handle disputes within the Federal NLRB jurisdiction when the Federal body has refused to hear them. With labor war almost always at the brink of violence, the Supreme Court will look into practices which frequently carry the disputants over the brim: Whether name-calling on a picket line amounts to coercion and intimidation sufficient to justify a state court in granting an injunction. Among the more interesting cases is that affecting enforcibility of arbitration decisions. Three viewpoints are presented, covering virtually all potentialities in this type of mediation.

▶ A headline story lost in the campaign crossfire is the Boggs Committee inquiry into tariff and trade agreements. Normally it would be Page 1 material. It is getting almost no attention outside Washington, but a record is being made and the testimony, the arguments, and the exhibits will be in full view in January. The Committee for Economic Development has compressed into a single statement most of the aspirations of a long line of witnesses: "We believe that it is in the best interest of the United States to follow a policy of gradual and selective tariff reduction."

▶ There are opponents, as well as proponents, for every suggestion presented to the committee -- a situation that has been common to tariff debates since the beginning of international trade. Many professed to think a three-year extension of the Reciprocal Trade Agreements Act is too limited. Now that the principle has been firmly established, it has been indorsed by Republican-controlled Congresses as well as by those dominated by the Democrats (who thought up the idea under the guidance of Cordell Hull), the longer term seems probable. But the current Act has a full year to go and the opportunity for debate is present.

▶ Several other ideas seem to be gaining ground. For example, Presidential authority to reduce tariffs by not more than 5% per year, with unused authority to be carried over to subsequent

years. There has been strong sentiment (and strong opposition) to the idea of allowing the President to reduce to 50% ad valorem any duty now above that level -- by a gradual process. Some witnesses want authority extended to the President to make changes in commodity definitions and rates for the purpose of consolidating schedules and simplifying classifications, providing such changes do not alter the average rate of duty for any class of goods.

▶ One proposal that met firm resistance was a suggestion that the President have authority to change commodity definitions and suspend the tariff on any product not produced in this country in substantial quantities. Opponents apprehend this might stifle production of new items here, give foreigners a monopoly on product and market. Also coolly received was the idea of letting the President set aside peril-point and escape-clause decisions of the U.S. Tariff Commission.

▶ Thomas E. Dewey, whose influence at the White House and among GOP members of Congress is not taken lightly by those close to the political picture, has thrown down Richard Nixon's dream of a four-day work week. The former New York Governor obviously thought the Vice-President went off the deep end, even though Nixon mentioned three holidays each week only as an aspiration within possible attainment at some future time. In Washington, Dewey seized the first opportunity presented to him, to say: "I don't know whether a country can produce enough on four days -- what men produce in factories and shops and services -- to provide the income necessary to do what we all want to do: To increase the social measures, the security for older people, the size of pensions and the other programs that we all want to enjoy.

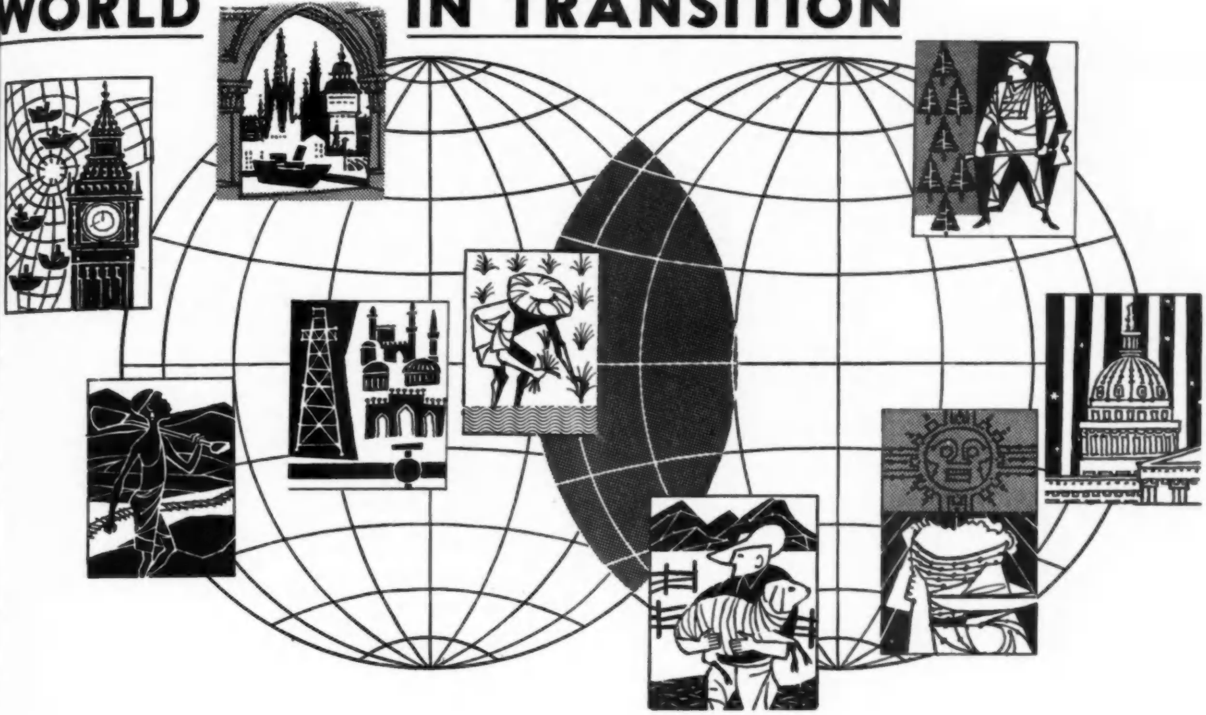
▶ The slightly-eased but still tight money market for home-building and purchase has the National Association of Real Estate Boards worried and shaking a warning finger at the White House and Congress, to say: "Public housers and leftwingers will redouble their efforts for more public housing, using the old familiar chant that private industry can't or won't do the job. NAREB spoke as adjusted figures for September showed 93,000 housing starts, of which 89,000 were privately financed. This was the lowest September volume since 1949. So far this year, housing starts have totaled 879,300, a decline of 17% from the same period of last year.

▶ Not all is gloom in the industry, however. The National Association of Home Builders had this observation: "While there is nothing to indicate that the gradual decline of recent months will be halted soon, nevertheless the total starts to date, plus the momentum of operations planned for the remainder of 1956 make the outlook fairly good for starting more than 1 million units this year. This would make 1956 the eighth year in a row in which volume of new starts has topped 1 million." And the Bank for International Settlements has collected data which show that exactly one-half of the 21.5 million new dwelling units built by the 13 principal nations of the Western World from 1946 to 1955 were constructed in the United States in spite of the fact that the American population is less than 40% of the 13-nation total.

▶ That President Eisenhower made a sensible decision on continued aid to Yugoslavia seems established by the almost total absence of criticism of his action. It was a delicate action: Ike was conscious, naturally, that he was taking the risk that Tito might yet become a puppet of Moscow; he was faced with the fact that the Yugoslav boss, on the basis of every available record, is maintaining a surprising degree of independence for one with so many ties to the Kremlin. What the President did was not to convey approval of the internal policies of the Red government headed by Tito. That was underscored. The expected result of economic aid is quite the contrary: To help the Yugoslavs stiffen their backbone, decide where their real friends are.

▶ What happened and what will result from the Tito-Khrushchev parleys at Yalta are within the peculiar knowledge of the participants. But it seemed wise to the President (and the country appears to agree) to continue servicing the people of Yugoslavia with food, and to withhold the arms and planes pending complete disclosure. If Tito wants to receive military aid he must prove he is not following a course inimical to the Western World.

WORLD IN TRANSITION



East Europe Economies Looted by Russia

By JOHN H. LIND

The events currently taking place in Hungary and Poland are of truly world-shaking importance. Whatever their outcome, they have already demonstrated beyond doubt (1) that Russia—Stalin's or Kruschev's—is today the world's only truly imperialistic power, (2) that people, even after a decade of suppression and indoctrination, still are capable of thinking and acting independently, (3) that patriotism and love of liberty are not things of the past or a figment of Hollywood imagination, but are still as dynamic, explosive and unpredictable as they were 180 years ago at Lexington, and (4) that Communist power, at least outside of Russia, can only be maintained by police terror and Red Army tanks.

Stalin knew this and therefore was able to widen his grip on the satellite countries. Kruschev, who is trying to maintain Communism without the same degree of overt coercion, either will lose every one of the satellite countries or return to full-fledged Stalinist terror methods.

Exploited By Red Masters

But aside from Russian imperialism, Poland and Hungary have plenty of *economic* reasons to wish for more independence from their giant eastern neighbor. The USSR's economic exploitation of these two countries, as well as all its other satellites, is the darkest chapter in the history of post-war Europe. Very little actual data *are* available on the subject, since neither the USSR nor its puppet regimes in Eastern Europe have issued comprehensive foreign trade statistics.

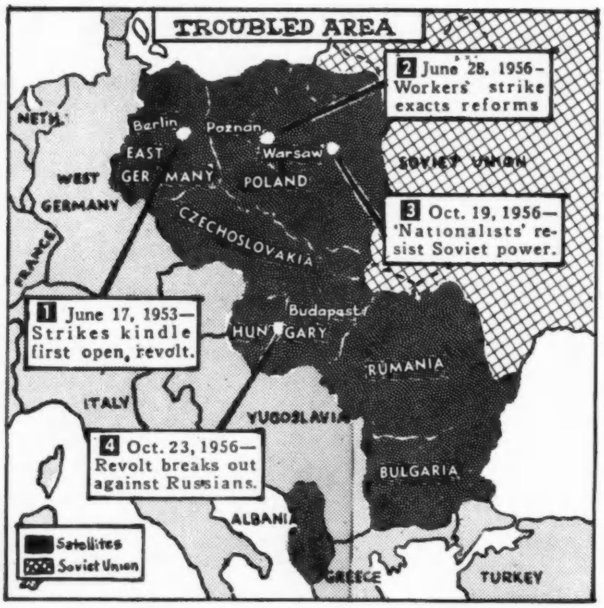
But we do know that a radical reorientation of Eastern Europe's foreign trade took place within the decade since it fell under Communist domination. The accompanying table shows the extent to which these countries were forced to divorce themselves from their traditional supply sources and markets. Hungary, for instance, had done 87% of her pre-war foreign trading with Western Europe and overseas countries.

By 1954 this percentage had shrunk to 34% while her trade with other Communist countries had grown to ⅔ of her total imports and exports. The trade dependency of the satellites on the Soviet Union was made official in 1948 when Czechoslovakia and other East European countries were prohibited from accepting a U. S. invitation to join the Marshall Plan, even though they were desperately in need of outside help to reconstruct their war-torn economies.

Instead, Soviet Foreign Minister Vyacheslav Molotov, in 1949, founded a Communist version of the Marshall Plan, the so-called *Council of Mutual Economic Assistance,* whose real function was a more complete economic control over the satellites. The

result was a de-emphasis on agricultural production, despite the fact that food shortages continued in Eastern Europe long after they had ceased in the West, and a forced development of heavy industrial production, again in total disregard of the growing shortage of consumer goods. The purpose was, of course, to increase the military potential of the entire Soviet bloc at the expense of all types of consumer needs and to end all economic interdependence between Eastern and Western Europe.

The USSR succeeded largely in this endeavor and by 1954 most East European countries were able to export machinery, equipment and rolling stock to the USSR, but were shorter than ever of food and consumer goods. At the same time, reconstruction made very little progress because all economic factors had to be concentrated on buildup of heavy industry. Thus, on a per-capita basis, nearly every East European country had less housing space available in 1954 than in 1941, despite the fact that the population increase in all these countries had been very slight. The collectivization of farms, against the clear will of the small farmers, also contributed to the internal economic deterioration because it took away all incentive of the farmer to produce.



Benefits—For the Soviet

The extent to which this forced reorientation of the Eastern European economies benefited the Soviet Union is seen particularly in the fuel sector. For instance, Poland was forced to ship about half of her coal exports to the Soviet Union where she received a far lower price than in Western Europe.

Furthermore, Poland was forced to send annually 3 million tons of coal to the USSR for *nothing*, as "payment" for German plants in East Silesia, which the Russians had turned over to Poland at the end of World War II. These forced exports of Poland's most important commodity have cost the country many millions of dollars and have, in fact, created a domestic fuel shortage. Only the Poznan uprisings of last summer and the subsequent re-emergence of the first signs of Polish independence have now brought about a halt to these free shipments and a Russian promise to pay world-market prices for her other imports.

The situation is similar in Rumania which, in the pre-war period, exported the bulk of her oil to the West. Since the war, virtually all of her exports have gone to Russia, Red China and other Communist countries. There is no doubt, that Rumania does not receive world-market prices for her oil shipments to the Soviet Union.

Oil From Hungary

In fact, until two years ago, the USSR was a majority owner of the Rumanian state oil trust *Sovrompetrol*. Her "share" in this enterprise were the expropriated properties of Standard Oil, Shell and other Western oil companies, for which not a penny has, so far, been paid to the former owners. When Russia turned these over to Rumania she demanded payment in form of oil shipments and a special pipeline to the Russian port of Odessa was constructed for this purpose.

Communist Bloc—Geographic Distribution of Total Trade, by Country
(Percentage of total trade)

Country	1937 Centrally planned economics	1937 Rest of world	1948 USSR	1948 Other centrally planned economics	1948 Rest of world	1951 USSR	1951 Other centrally planned economics	1951 Rest of world	1954 USSR	1954 Other centrally planned economics	1954 Rest of world
Bulgaria	12	88	56	27	17	58	34	8	—— 87 ——		13
China, mainland	....	....	—— 2 ——		98	46	15	39	—— 80 ——		20
Czeschoslovakia	11	89	16	15	69	28	32	40	36	39	25
Germany, eastern	....	....	—— 75 ——		25	46	30	24	44	31	25
Hungary	13	87	17	17	66	29	38	33	30	36	34
Poland	7	93	23	17	60	25	33	42	38	32	30
Romania	18	82	34	36	30	51	28	21	—— 72 ——		28
USSR	4	96		67[f]	33		80	20		79	21

In Hungary, there also were some oilfields, owned mainly by Standard Oil. Again, expropriation took place and the Soviet Union sent their experts in to increase production. This was done so that more oil could be exported to the Communist bloc. The result of this over-rapid exploitation is that today the Hungarian oilwells are running dry, while the same circles which in 1947 charged Standard Oil with sabotage of the Hungarian economy by keeping oil production artificially low must now explain why these fields gave out long before their time. Of course, the real culprits are the planners sent in from Moscow, who knew fully well that too much oil was taken out of these fields, but could not care less.

On the other hand, there is ample evidence that whatever exports the Soviet Union sent to the satellite countries had to be paid for at prices *above* the world market. According to a report from Austria, for instance, the USSR has a net profit margin of about 45% on her sale of oil, received under the Austro-Soviet peace treaty, to the satellite countries.

Russia's direct exploitation and milking of the satellites plus the forced economic reorientation of these countries to fit Russia's imperialist plans have created a bloc of impoverished countries on a continent which elsewhere today is experiencing its greatest and longest economic boom. Thus, Poland actually has an unemployment figure of 5% of its labor force today while, according to official Polish statistics, about two-thirds of the country's wage and salary-earners earn less than the basic needs for a family of four people.

A similar situation exists in Hungary where over one-third of recent urban school graduates were unable to find immediate employment. Furthermore, in both Hungary and Poland, the mania for increasing industrial capacity at the expense of all other sectors of the economy has now resulted in idle capacity in a number of industries since the supply of raw materials could not keep up with the increase in equipment.

Economic Overhaul Needed

What is now needed in these countries is a complete re-evaluation of the basic principles of economic planning or, rather. a de-emphasizis on planning and a renaissance of traditional economic incentives. Prof. Oskar Lange, Poland's chief economist and once a teacher at the University of Chicago, admitted this in a surprisingly frank article in a Polish journal: "methods of 'war economy' in which patriotic appeals and coercive measures to fulfill targets fixed by administrative order figured as the main incentives can not be used permanently as a method of directing the economy."

European Unity Developments

Two developments have recently taken place which will affect the proposed economic unification of Western Europe. One was the final and complete settlement of the age-old *Saar* dispute between Germany and France. Signed in Paris this week, the agreement is heart-warming example of a solution of an international problem through genuine compromise by both sides.

Under it, the Saar will now revert politically back to Germany, but France will continue to have a preferred economic position in the area and will also receive 90 million tons of Saar coal over the next 25 years. In addition, French currency will remain in circulation for another three years at which time it will be converted to German marks at rates favorable to France. Finally, France may continue to import and export the same quantity of duty-free goods from and to the Saar as she did in 1955 (about $750 million) and will receive some $120 million for currency distributed by the French government to the Saarlanders in 1945 and $80 million for Germany's share of the construction costs of the Moselle Canal, which will greatly benefit France's steel industry.

Obstacle to Unity Hurdled

With the disposal of this thorny problem, one of the basic obstacles to European integration has been permanently removed. As French Premier Guy Mollet stated after the final agreement had been reached, "The Saar is behind us—now we can get on with Europe."

The other recent development affecting European unity was of a less positive nature. It showed that a great deal of groundwork is yet ahead if European economic integration is ever to become a reality. At a meeting in Paris of the six members of the European Coal and Steel Community (the nucleus for the projected inte- (*Please turn to page* 217)

Housing as a Percentage of Gross Fixed Investment

Soviet Bloc Countries	1950	1952	1954
Bulgaria	14	9	13
East Germany	13	15	15
Hungary	5	4	9
Poland	7	10	12
U.S.S.R.	12	12	16

Democratic Countries	1950	1952	1954
West Germany	22	22	20
Netherlands	18	17	16
Sweden	24	22	22
England	18	19	17
Belgium	23	25	22
France	21	22	20
Italy	16	15	15
United States		25*	27

*1953

On the whole, democratic countries spent around 20% of their fixed investment on building houses since 1950 while the Soviet countries averaged around 14%. Yet, the wartime destruction of dwellings and, consequently, the need for housing was probably higher in Eastern Europe than in the West.

A Re-Appraisal of the Railroads

By EDGAR T. MEAD, Jr.

The current railroad picture is rather good, both from the standpoint of the traffic blessings of 1956 and the outlook for the next few months. The steel strike in July created the by-now familiar reduction in carloadings and, ever since, the railroads have been trying to locate enough cars to handle the upsurge in traffic. Because the steel mills were not able to make previously deferred repairs on their blast furnaces during the strike, there was a consequent wait after the actual strike settlement to permit a patch-up of worn hearths and steel converters.

Looking ahead, the long-range uptrend in our economy gives evidence of continuing despite efforts of the Federal Reserve to curb spiraling pressures.

On the one side, competitive pressures within industry, stemming increasingly from the results of research for new products and techniques, should continue to expand the need for capital goods. As long as the "confidence factor" remains strong, individuals and corporations should still have the desire to spend, reflected through the demand for goods and services. New schools, highways, and other public improvements, foreign aid programs, and the backlog of demand for aircraft and the requirements of defense preparedness tend to fall in a relatively non-postponable category. On the other side, we can discern a disturbing overexpansion of

consumer credit, which has boosted the demand for automobiles, television sets, home appliances and a luxury list of a hundred more. The rise in wage rates has been carrying ordinary wage-earners out of the cash-and-carry basement to the upstairs standard of living which can only be justified by working overtime or borrowing from the future. A realistic fiscal policy postulates that our national confidence not be shaken into a major depression when a large portion of the population finds heavy installment payments due and no overtime work in sight to pay for the bills.

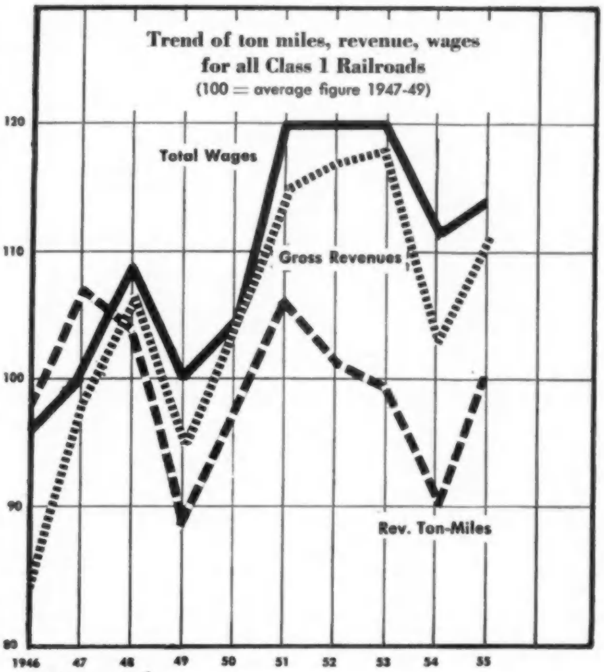
Effect on the Railroads

The effect on the railroad industry is many-sided. A large volume of heavy capital goods is just what the modern railroad is designed for. The skill of "New Look" managements has increased efficiency so that dips in volume on the better-grade railroad systems no longer constitute any threat to the capital structure. The inflation of higher railroad labor wages and increased costs of steel and other materials has demonstratively been overcome during the postwar period by improved efficiency and embattled efforts to gain augmented freight and passenger rates.

In other ways, the railroads have improved their status. During the seven years from 1949 through 1955, the railroad industry increased its cash position, reduced funded debt and wisely employed low-interest equipment trusts to buy rolling stock. The better railroads are now able to spend cash, if necessary, for higher down-payments on equipment, as well as pay for modern accounting systems, signaling, yards and other improvements.

Using the years 1947, 1948 and 1949 as a base for comparison (see chart), the gross revenues of this base period averaged only \$9.1 billion, compared with the \$10.1 billion in 1955, or an increase of 11%. Total wages paid to railroad employes increased over 13½%, despite the fact that 15% fewer individuals were required for operations. In the meanwhile, revenue ton-miles, which is a measure of the freight work actually performed, were virtually unchanged and, as a year-to-year pattern, generally followed the economic trend of the nation's business. The three low points in traffic were created by the fall-off of traffic after World War II in 1946, the adjustment year of 1949 and the inventory recession year of 1954. The high points were achieved during the period during 1947 and 1948 when consumer goods were in demand as a result of wartime shortages, after the start of the Korean War in 1950, and more recently during the combination build-up of capital goods, consumer items and defense purchases. That the railroads tend to follow the peaks and valleys of business cannot be denied, but to judge from the final operating results, it looks as though they are learning how to accommodate themselves to the valleys as well as the peaks.

The ton-miles of traffic handled by railroads tended to disintegrate in quality after World War II. The trucking lines opened up and expanded one by one, and many new factories were patently located far from railroad sidings. Thanks to legislative generosity, the barge lines were able to expand, and they in turn expropriated not only low-rated commodities such as coal, grain and sand, once handled exclusively by the railroads, but also automobiles, chemi-



1947-49 = 100

cals and high-rated products of the steel industry. Another tendency, which has been more or less unobserved in the objective, is the construction of branch assembly factories far from the old industrial centers, so that the total route haul of goods by railroads has been basically reduced to a much shorter distance. This has all been part of an expanding and changing economy, but there is reason to believe that the railroads may not suffer so badly in the future.

The Problem of Pricing

Like everything else, there is a problem of pricing in the railroad business. The price in this case happens to be the rate per hundred pounds of freight, or the cost of traveling from one point to another. Since 1946, railroad freight rates have not increased as greatly as prices for steel products, house-building or gasoline. Today, a shipper might expect to pay less than 1½ cents per ton mile compared with 1 cent just after the war, on goods where the selling price might have doubled.

The railroads are facing another hike in wages this year, just as the steel manufacturers did last summer. For the railroads, it may cost as much as 12½ cents per hour, including fringe benefits, but they will be unable to raise their prices until after the Interstate Commerce Commission has approved. To cover this increase in wages, which would amount to a probable \$300 million in added costs, it has been estimated that a minimum of 3½%-4% higher rates would be required. Another factor may enter the discussion this time, however, and the subject of Rate of Return on Investment may be brought forward—and rather logically. If a business man were only deriving a 4.2% return (like the railroads) on his net property investment before paying interest charges and dividends, the chances are that a state of extreme dissatisfaction would result. Public utility rates are based on a 6% return, and industrial returns are usually much higher. Placing the wage

increase and the rate of return factors together, the railroads seem to have a good case for seeking higher prices for both passenger and freight service. If they could obtain an 8% increase, this would be equal to a healthy $700 million annually.

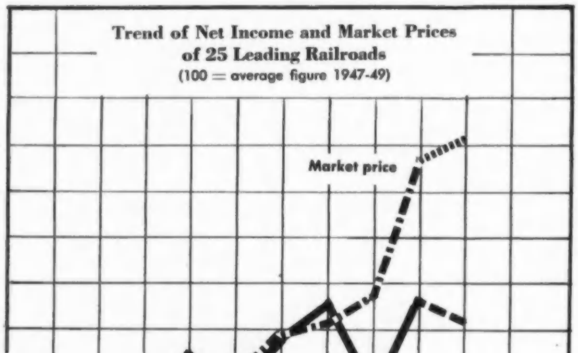
In an attempt to study out the transportation problem and see if inequalities existed, the Government caused to be assembled a group of suggestions known as the "Cabinet Committee Report." The conclusions add up to a limitation on certain Interstate Commerce Commission powers, changes in the methods of rate-making and defining the status of carriers exempt from legislative control.

The Report has been the subject of procrastination in Congress and cause for disagreement on the part of the railroads' competitors, who feel that if the Report were acted on favorably by Congress, it would give the railroads too great freedom in "pricing" their rates. Political pressures may prevent the present bill from ever reaching a vote, but certain conclusions are inescapable. In the matter of reducing the amount of time required by the I.C.C. to pass on a rate change, the commission acted on its own initiative in 1956 and sped up a rate increase which was put into effect in April. There are other seeming injustices which may be put into clearer focus.

A utility company can charge a lower rate to a consumer of large volumes of electric current, meanwhile charging the small consumer a standard rate. Railroads, conversely, can not pass on benefits of mass transportation to large shippers. The railroads have had no way of countering the so-called "exempt" carriers, who publish no rates and who have taken a tremendous volume of freight away from the railroads. If any part of the Cabinet Report becomes law, so much the better. If not, the conclusions are at least a rally point for individual changes.

Impact of Higher Rates

Higher freight rates have three important effects: (1) the railroad is able to pay for higher labor and material costs, (2) some traffic is inevitably diverted, and (3) the door is opened for trucks and barge lines to raise rates. Some day, the railroads will be able to absorb a labor wage increase and stand their ground without seeking a rate increase. When this happens, the truck and barge industries, with their slim margins of profit, may not be able to compete so effectively with the railroads. In the meanwhile, the railroads are increasingly meeting truck competition at its own game. By combining the know-how of successful transportation, good finances and the "piggy-back" system of carrying truck trailers on railroad flat cars, the industry is exploiting a simple and often forgotten fact, namely, that railroads are inherently one of the most efficient methods of traffic movement ever devised.



Certain railroad spokesmen foresee the day when "piggy-back" and coordinated truck movement will represent 10% of railroad freight revenue, which totaled $8.5 billion in 1955. The added revenues would consist largely of new or replaced traffic to the railroads. With better control over costs and, therefore, rates, and the ability to stretch out beyond the railroad tracks in home territory, it would take great pessimism to foretell anything but an increase in revenue ton-miles in the future.

A lot has been said about diesel locomotives, all of it favorable and most of it to the effect that without diesels, the railroads would not have survived. The fact of the matter is that many railroads are finding that the diesel locomotives designed and built in 1956 are vastly superior to the early models and that older locomotives can be rebuilt into far more powerful machines. Within a few years, diesel locomotives may be able to dispense with the cost and complexity of the electric mechanism by transferring power directly from the diesel engine to the wheels through a compact hydraulic drive. The first diesels were thought of as pure and simple replacements for steam locomotives. Today, the diesel performs work never originally thought possible, and the science of full diesel utilization is just beginning to be understood.

The further understanding of how to use Centralized Traffic Control, Push-Button Freight Yards, and Electronic Car Service Systems is producing savings never appreciated until now. Only a few years ago, it was thought that a successful CTC system could save 20% on the investment and a modern classification yard could save 25%. Today, savings of 30% on CTC and Automatic Yards are becoming a matter for insistence. The railroad industry (including the equipment makers) is now spending four times as much on research as during the early postwar period.

A prominent railroad spends about $500,000 per year in rents for an IBM accounting system. The savings produced in payroll and tax accounting justify the machines alone. In addition, the company is deriving significant benefits in the matter of estimating traffic, computing inventories and correlating routine maintenance of roadway and equipment. Further applications are in view, and other progressive railroads are awaiting deliveries of systems from the office-machinery makers.

Class I Railroad net income (see chart) increased from an average of $570 million in 1947-49 to $928 million in 1955, an increase of 63%. Because the railroads probably will have to accrue for two months of higher wages during November and December, 1956, without the benefit of a rate increase, net income of around $900 million may not be far

Statistical Position of Leading Railroads

	Gross Revenues —1st 8 Months— (Millions) 1955	1956	Transportation Ratio —1st 8 Months— 1955	1956	Earnings Per Share* —1st 8 Months— 1955	1956	Estimated 1956 Earnings Per Share	Indicated 1956 Dividend Per Share	Recent Price	Dividend Yield	Number of Common Shares (Millions)
GOOD QUALITY:											
Atchison, Top. & Santa Fe	$380.9	$392.8	32.0%	33.6%	$1.72	$1.53	$2.80	$1.60	27	5.1%	24.2
Atlantic Coast Line	106.8	113.9	37.0	38.3	3.40	3.27	5.75	2.00	50	4.0	2.4
Baltimore & Ohio	280.0	307.3	40.1	41.4	5.97	6.40	10.50	2.00	51	3.9	2.5
Chesapeake & Ohio	244.0	273.5	31.7	33.0	4.62	5.20	8.20	3.50	67	5.2	7.9
Delaware & Hudson Co.	49.6	55.0	34.5[3]	33.6[3]	2.31	3.17	5.25	1.60	29	5.5	1.6
Denver & Rio Grande W.	49.6	51.5	29.6	30.5	3.14	3.24	5.50	2.50	41	6.0	2.2
Great Northern Rwy.	170.6	179.4	32.9	34.0	3.12	2.94	5.35	2.62½	44	5.9	6.0
Illinois Central	191.5	194.8	34.8	36.0	5.28	4.87	8.50	3.62½	61	5.9	3.1
Kansas City Southern	29.7	31.8	28.8	29.3	3.70	3.81	11.00	4.00	79	5.0	1.0
Louisville & Nashville	109.2	139.3	36.1[2]	37.4[2]	5.90	6.98	10.50	5.00	92	5.4	2.3
Norfolk & Western	133.7	156.9	28.6	29.4	3.86	4.30	7.50	3.75	72	5.2	5.6
Northern Pacific	117.5	123.3	39.5	39.6	4.71	2.59	4.25	1.80	38	4.7	4.9
Seaboard Air Line	101.8	109.8	32.3	33.2	5.93	2.95	4.70	2.50	37	6.7	4.7
Southern Pacific	445.1	453.2	37.8	39.3	4.37	3.65	6.00	3.00	47	6.3	9.0
Southern Railway	183.0	183.5	30.1	31.0	3.42	3.57	5.90	2.60	44	5.9	6.4
Union Pacific	330.1	333.1	33.8	34.2	2.14	2.01	3.25	1.75	30	5.8	22.2
Virginian Rwy.	28.2	36.6	19.8	19.7	3.70	6.28	10.00	3.00	75	4.0	1.2
MORE SPECULATIVE											
Chicago Milw., St. P. & Pac.	157.5	166.8	38.6	40.2	1.54	.29	3.20	1.50	19	7.8	2.1
Chicago Rock Island & Pac.	126.9	133.8	36.3	37.4	3.50	3.56	5.70	2.70	37	7.2	2.9
Gulf, Mobile & Ohio	55.2	55.0	29.8	32.2	3.88	2.41	5.00	2.50	30	8.3	.9
New York Central	497.5	518.0	43.1	45.4	5.31	4.08	6.60	2.00	40	5.0	6.5
N. Y. Chicago & St. L.	104.6	114.2	35.3	36.7	2.40	2.45	3.95	1.80	29	6.2	4.1
Pennsylvania	609.6	654.8	43.8	44.6	2.16	2.07	3.15	1.55	23	6.7	13.1
St. Louis-San Francisco	88.0	91.4	36.0	37.4	2.77	2.24	4.50	2.00	27	7.4	1.7
Western Maryland	30.2	33.8	29.9	31.3	5.65	5.98	10.75	......	59	....	.6
Western Pacific	34.5	35.2	31.0	33.8	4.56	3.41	9.00	3.00[1]	68	4.4	.6

*—Before funds.
[1]—Plus stock.
[2]—7 months ended 7-31-56.
[3]—Dela. & Hudson railroad.

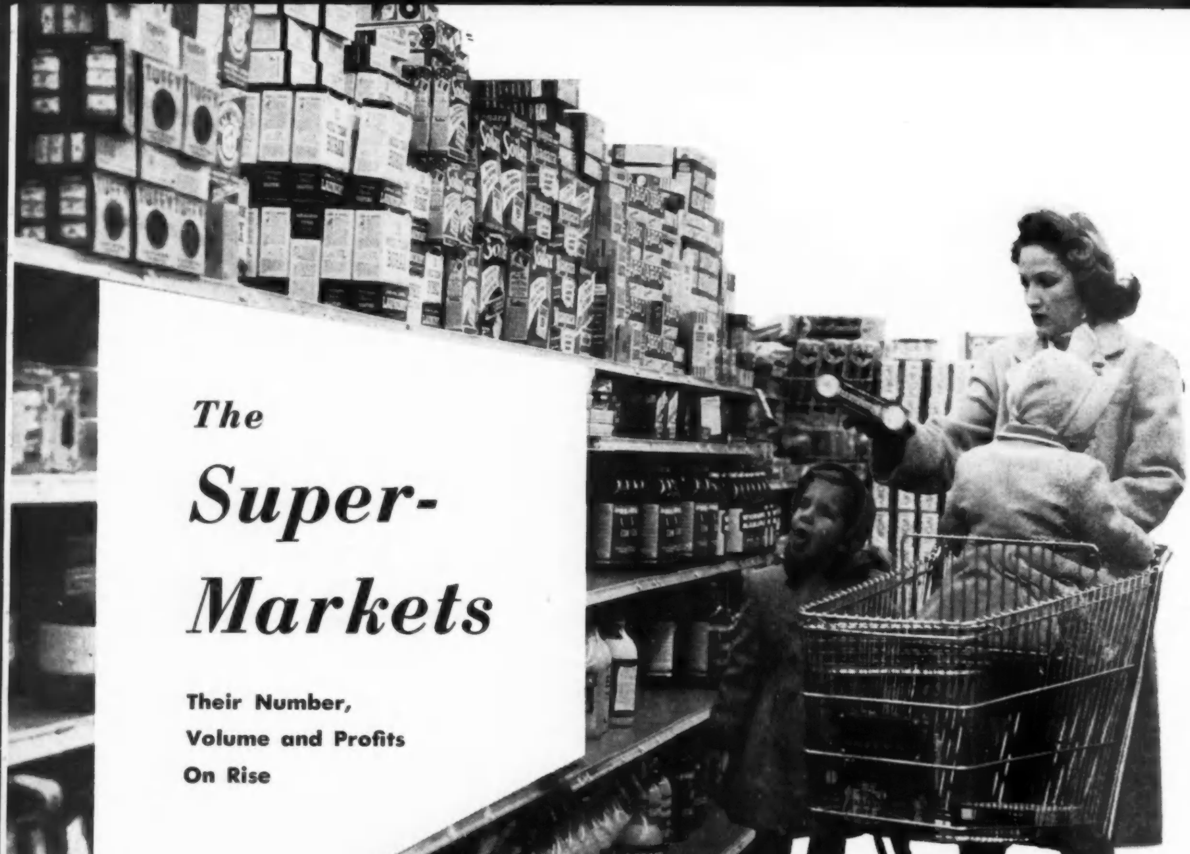
from the actual results. Next year, a carry-forward of steel traffic from 1956 and the likelihood of a freight-rate increase in February should produce a first-half net income equal to or better than the same 1956 interval.

The effect of tight money on borrowing may create some ill effects on both capital and consumer goods next year, so that a flattening out of railroad traffic, perhaps equal to the average of 1954-56, might be the logical expectation.

Market action of a selected common stock list of 25 typical railroads has shown at first a hesitancy during the early post-war period and then a confirmation that the industry is doing better than its critics had supposed. A low point was reached when railroad net income was reduced by 37% from $714 million in 1948 to $448 million in 1949. Revenues were simultaneously reduced about 11½%. In 1949, the railroads were still largely steam-operated, track maintenance was conducted by manual labor, modern yards, signaling and electronic bookkeeping were unknown, and management left much to be desired in comparison with today's higher standards. In 1954, Class I Railroad net income was reduced 25% from the previous year, and revenues were decreased 12%. The market made its judgment on an industry which suffered a smaller decline of earnings on a slightly larger drop of revenues, and the average market price for the selected railroad common stocks increased in 1954 and again in 1955. Against a 1956 stock market generally typified by indifference, the average rail stock performance has exceeded the average of 1955 and, in the light of higher dividends and a good outlook for 1957, they may improve further.

The constant rise in labor costs followed by inevitable supplications for rate relief are discouraging, particularly for the high-cost operators. In the East, the systems are bedeviled by commuter losses, high-taxed terminal properties, short-haul train movements and expensive yards. The problems are well known, and logic suggests that means will be found to overcome them in time. The Eastern railroads are abandoning unprofitable trains and branch lines, applying for higher Pullman, mail and express rates, negotiating on unneeded real estate, and building efficient yards.

The Southern carriers, the Transcontinental systems, the Pocahontas industrial lines and certain of the Mid-States and Northwestern railroads are performing profitably. Among the carriers which (1) showed significant earnings increases from 1955 to 1956, (2) paid higher dividends and (3) made important property improvements, may be found the railroad securities which should continue to provide the best investment *(Please turn to page 230)*



The Super-Markets

Their Number, Volume and Profits On Rise

By J. C. CLIFFORD

Today's food supermarket, sometimes thought of as an amazing phenomenon, is more correctly recognized as a natural development, firmly entrenched in the economy. Its advent several decades ago and its subsequent growth, in number and size, have been in keeping with changing times that have altered many customs and, to a greater extent, the American way of living.

Just as the automobile, offering quick, flexible and economical transportation, outmoded the horse and buggy, the self-service supermarket, offering quality food products—groceries, meats, produce, dairy products and other goods, all under one roof — has outmoded the corner grocery store. This change in food retailing was inevitable.

It had its inception some 40 years ago when Clarence Saunders pioneered with the opening of a small self-service store in Memphis, Tenn. There the customer was free to roam the aisles to make her own selections, unfettered by he absence of a clerk, paying for what she had chosen at a checkout counter. This immediate public acceptance of self-service soon was to revolutionize the entire food industry, including not only retail distribution but processing and packing.

Within the fellowing decade, several thousand self-service food stores were in operation across the country. That number represented but the beginning of growth. The greater impetus, not discernible then, was yet to develop—the unprecedented rate of increase in the nation's population, the mass movement of families from urban to suburban communities, and the continued growth of many cities through the influx of new industries and workers. To these factors, contributing to expanding the food distribution industry, should be added the rising income level of the people and the increasing consciousness of food values in relation to family health.

Growth of Supermarkets

Attesting this is the steady increase in the number of supermarkets, their greater size and the steady upswing in their total dollar volume of sales.

Even during the war years, when there was a scarcity of materials and construction workers for projects not directly related to the war effort, the number of supermarkets increased from 6,175 in 1940 to 9,575 in 1945. With the war at an end and the lifting of the many restrictions on civilian projects, erection of new supermarkets got underway on a grand scale to counter the lag in the war years. By 1946, the number of such retail food outlets had increased to 10,057. In the next nine years to the end of 1955, the number more than doubled to 20,537.

How Supers Have Grown

	No. of Supers	Super $ Volume
1940	6,175	$ 2,000,000,000
1941	8,175	2,500,000,000
1942	9,011	3,000,000,000
1943	9,100	3,500,000,000
1944	9,460	3,600,000,000
1945	9,575	4,500,000,000
1946	10,057	5,500,000,000
1947	10,846	7,000,000,000
1948	11,970	7,780,500,000
1949	13,089	8,507,850,000
1950	14,217	10,250,457,000
1951	15,383	12,356,000,000
1952	16,501	14,096,800,000
1953	17,550	16,092,000,000
1954	18,845	18,200,000,000
1955	20,537	20,380,000,000

Courtesy "Supermarket Merchandising".

The growth in dollar volume of sales has been even more striking. Within a period of 15 years, or from 1940 in which volume totaled approximately $2 billion, sales increased to last year's record high of $20.4 billion. In the 10 years to the end of 1955, the sales upturn from $5.5 billion in 1946 to last year's high represents a gain of about 270%. This, in itself, is a measure of the accelerated supermarket growth in the last decade.

Of equal interest and importance is the substantial growth in dollar sales, on an average, per unit. In 1940, this average for each of the 6,175 supermarkets then operating worked out to approximately $323,800. In 1955, the average sales for the 20,537 supermarkets, amounted to $992,000 per unit, an increase of about $26,000 over the previous year, indicating a good rise in tonnage, inasmuch as prices of food products, based on the price index of the Bureau of Labor Statistics, declined 2.2% in 1955 from the 1954 level. Another measure of the growth of the supermarket is its capture of approximately 55.1% of the nation's total grocery bill of about $37 billion in 1955, against 24% in 1940 and 28% as recently as 1946.

Supermarkets Capturing More of Consumers' Dollars

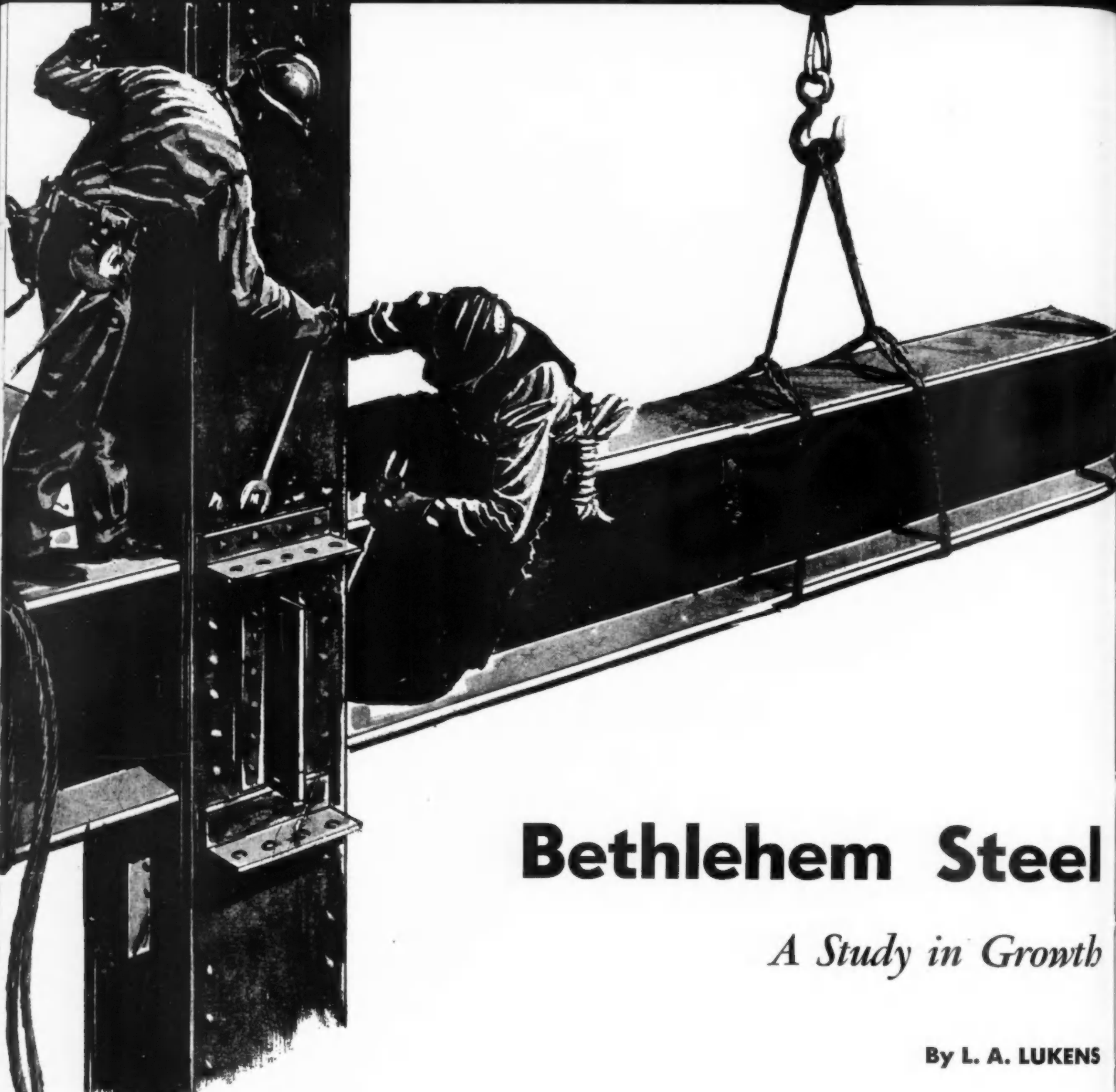
These are averages for the total number of supermarkets across the nation. In some localities, the percentages go much higher, anywhere from 60% to 80%, thus contributing substantially to overall volume of the food chain-store companies predominant in the supermarket field. It is quite evident, from all available figures, that new highs in sales will be set in the current year. Attesting this, American Stores Co., in the 26 weeks to last September 29, increased its volume to $372.5 million, going ahead of last year's comparable period by 19.9%. In the six months to September 1, Grand Union Co. cash registers rang up sales of $181.1 million. This was $48.5 million, or 36.5% above sales of a year ago. Other corroborators of the uptrend are Kroger Co., showing a sales gain of 25.5%, or from $894.2 million for the 40 weeks ended October 8, 1955 to $1,122 million for a similar period to the end of last October 6.

Winn-Dixie Stores, in the first 12 weeks of its current fiscal year, or between July 1 and September 22, scored a sales increase of 22%, volume rising from $87.4 million in the comparable weeks of last year to $106.6 million. Safeway's percentage gain, in comparison with other companies in the field, seems small, its increase being 2.3% in the 40 weeks to last October 6. On the other hand, this increase must be reckoned with its already huge sales volume which for the 40-week period increased to $1,516,000,000 from $1,481,000,000 a year ago, a gain of $35 million, (*Please turn to page* 220)

Pertinent Data on 9 Major Chain Food-Store Companies

	Net Sales 1955 (Millions)	Sales Incr. or Decr. over 1954	1956 1st 9 Months Sales Incr. or Decrease	Earnings Per Share 1955	Earnings Per Share 1st 6 mos. 1956	Price Range 1955-1956	Recent Price	Indicated Dividend For 1956	Div. Yield
American Stores	$ 654.7[1]	+ 6.7%	+19.9[2]	$5.49	......	59¼-46¾	50	$2.00[11]	4.0%
First National Stores	491.6[1]	+ 4.4	......	4.93	$1.24[3]	62½-49¼	51	2.40	4.7
Food Fair Stores	475.1[4]	+15.8	......	2.68	......	69¼-43⅝	50	1.00[11]	2.0
Grand Union Co.	283.0	+28.9	+36.5[5]	1.90	1.13	36½-25⅜	31	.60[11]	1.9
Jewell Tea	306.6	+11.4	+11.4[6]	3.49	1.95	59 -44¾	45	2.00	4.4
Kroger Co.	1,219.4	+ 9.9	+25.5[6]	3.88	3.56[6]	54½-39¼	53	2.00[11]	3.7
National Tea	575.5	+10.6	+ 8.8[6]	3.41	1.36[7]	53⅜-37⅜	40	2.40	6.0
Safeway Stores	1,932.2	+ 6.5	+ 2.3[6]	3.24	4.18[8]	70⅜-42⅛	68	2.40	3.5
Winn-Dixie Stores	421.3[9]	+17.4	+22.0[10]	1.12	.32[10]	27½-18⅛	22	.78	3.5

[1]—52 weeks ended 3-31-56.
[2]—26 weeks ended 9-29-56.
[3]—Quar. ended 6-30-56.
[4]—52 weeks ended 4-30-56.
[5]—6 months ended 9-1-56.
[6]—40 weeks ended 10-6-56.
[7]—24 weeks ended 6-16-56.
[8]—36 weeks ended 9-8-56.
[9]—53 weeks ended 6-30-56.
[10]—12 weeks ended 9-22-56.
[11]—Plus stock.



Bethlehem Steel

A Study in Growth

By L. A. LUKENS

A little more than two years ago, Bethlehem Steel's common stock was selling in the market at $65 a share. At the time, we presented to our readers a concise analysis of Bethlehem, saying, and we quote: "Currently, Bethlehem common is selling at less than 4.7 times last year's per share net. We believe the issue is entitled to sell on a much higher ratio basis than this and substantial capital gains should accrue on purchases around present price level over the long-term."

Sharp Advance in Stock

This has since proved to be a conservative statement. Within a matter of months, the stock moved up to 111⅜, from which level, with undiminished market strength, it continued to advance to 169½. At the present time, it is priced in the market around 165, about 9.1 times 1955 earnings of $18.09 a share and about 11.2 times 1956 estimated earnings of $14 a share, despite the loss of 55 days of shipments caused by the 5-week industry-wide strike last summer.

Earnings Blighted by Strike

Up to the end of the second quarter of this year, Bethlehem appeared to be well on the way to setting a new high in net earnings in 1956. It ended the first quarter with net profit of $4.51 per common share, and bettered this showing in the second quarter, earning $5.05 a share to bring first half-year net for the common stock up to $9.55 a share. This compared with $8.25 per common share in the 1955 first half-year. Obviously, Bethlehem, in the first six months, was off to a good start, to set new records in production, net billings and net earnings in 1956. The strike in the first five weeks of the

third quarter, however, blighted these prospects. Although the actual work stoppage was over 35 days, 20 more days of shipments were lost before operations could get back into full stride. Consequently, in contrast to net earnings of a little more than $50 million in the previous quarter, the best Bethlehem could show for the three months to the end of September was net of $4.4 million. That, for the common stock, amounted to 29 cents a share, bringing results for the first nine months, adjusted for the slightly greater number of shares outstanding, to $9.81 a share. In the comparable months of last year net was equal to $12.29 a share, to which final quarter operations added $5.80. Results in the 1956 final quarter should be better than that, indicating the $14 a share estimated net for the full year is very much on the conservative side.

Comparative Balance Sheet Items

ASSETS	December 31 1946	1955 (000 omitted)	Change
Cash	$102,960	$ 145,759	+$ 42,799
Marketable Securities	152,403	543,771	+ 391,368
Receivables, Net	74,580	202,082	+ 127,502
Inventories	128,603	310,875	+ 182,272
TOTAL CURRENT ASSETS	458,546	1,202,487	+ 743,941
Net Property	376,228	736,747	+ 360,519
Investments & Funds	31,566	57,040	+ 25,474
Other Assets	1,327	2,378	+ 1,051
TOTAL ASSETS	$867,667	$1,998,652	+$1,130,983
LIABILITIES			
Accounts Payable	$ 38,605	$ 91,851	+$ 53,246
Accruals	48,582	71,965	+ 23,383
Tax Reserve	50,275	218,620	+ 168,335
Other Current Liabilities	12,903	10,056	— 2,847
TOTAL CURRENT LIABILITIES	150,365	392,492	+ 242,127
Other Liabilities	6,556	25,552	+ 18,996
Reserves	45,928	57,633	+ 11,705
Long Term Debt	125,814	336,904	+ 211,090
Preferred Stock	93,389	93,389	....
Common Stock	283,574	305,446	+ 21,872
Surplus	162,041	787,236	+ 625,195
TOTAL LIABILITIES	$867,667	$1,998,652	+$1,130,983
WORKING CAPITAL	$308,181	$ 809,995	+$ 501,814
CURRENT RATIO	3.0	3.0	....

Growth and More Growth

To get a true perspective of Bethlehem, it is necessary to go beyond earnings, past and present. As the second largest producer it holds an important place in the rapidly expanding steel industry which in the decade from 1946 to 1956 raised its productive capacity from 91.8 million to 128.4 million tons and output from 66.6 million to slightly more than 117 million tons in 1955 to meet the increasing steel needs of a growing nation requiring more schools, factories, hospitals, commercial buildings, homes, highways, automobiles, freight cars, and more of everything else into which go the end products of the steel industry.

This expansion in productive capacity of the industry as a whole has been participated in to varying degree by virtually every producer, including Bethlehem, U. S. Steel, Republic, National, Inland, Armco, Allegheny-Ludlum, on down to the smaller producers. As a result of growth in productive capacity to meet the growing diversified steel requirements of consumers, sales and earnings of the producers have not only increased but the shares of many of them have grown significantly in investment stature as the industry became less of a pronounced cyclical business. This confidence on the part of investors in the iron and steel industry is reflected in the growing number of shareowners of steel companies which between 1954 and 1955 added 50,000 names to stockholders' lists.

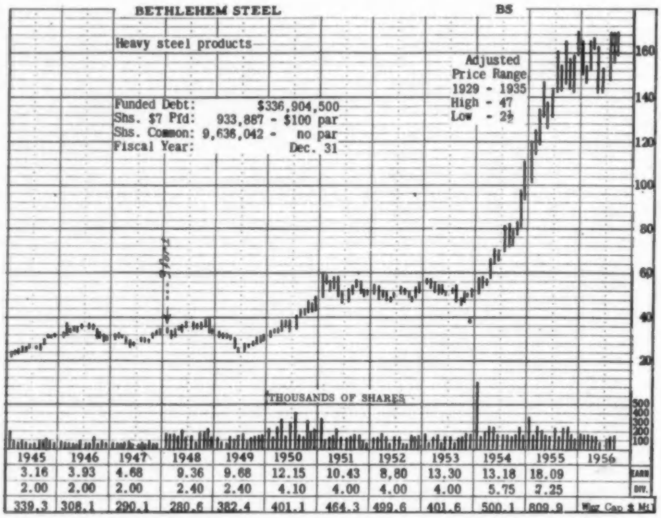
Bethlehem $1 Billion Expansion

The iron and steel companies, in achieving the increase in productive capacity during the postwar years, have expended approximately $8 billion for new or enlarged facilities. In addition to more blast furnaces that have boosted productive capacity by

Long-Term Operating and Earnings Record

	Net Sales (Millions)	Operating Income (Millions)	Operating Margin	Income Taxes (Millions)	Net Income (Millions)	Net Profit Margin	Net Per Share	Div. Per Share	Percent Earned on Invested Capital	Price Range High Low
1956 (1st 9 months)	$1,659.5	....	......	$ 91.0	$ 99.6	6.0%	$ 9.81	$8.50[1]	......	169½-140½[2]
1955	2,096.6	$366.2	17.4%	195.5	180.1	8.6	18.09	7.25	15.1%	169½-101½
1954	1,656.8	258.7	15.6	129.6	132.8	8.0	13.18	5.75	12.3	111⅜- 50
1953	2,082.0	307.3	14.7	175.8	133.9	6.4	13.30	4.00	13.2	57¾- 44⅜
1952	1,691.7	168.4	9.9	73.5	90.9	5.3	8.80	4.00	9.8	55⅞- 46½
1951	1,793.0	282.4	15.7	176.1	106.5	5.9	10.43	4.00	12.1	60 - 46¼
1950	1,439.8	253.2	17.5	130.8	122.9	8.5	12.15	4.10	15.1	49⅞- 30½
1949	1,266.8	172.4	13.6	72.1	99.2	7.8	9.68	2.40	13.5	33⅞- 23⅛
1948	1,312.5	155.2	11.8	62.6	90.3	6.8	9.36	2.40	14.0	39¾- 30⅜
1947	1,032.3	86.3	8.3	33.9	51.0	4.9	4.98	2.00	9.0	35⅛- 25½
1946	787.7	55.7	7.0	15.5	41.7	5.3	3.93	2.00	7.7	38⅛- 28½
10-Year Average 1946-1955	$1,515.9	$210.5	13.1%	$106.5	$104.9	6.7%	$10.3	$3.79	12.1%	

[1]—Indicated 1956 full year payment. [2]—To Oct. 25, 1956.



more than 25% since the end of World War II, these companies built new rolling mills, continuous galvanizing lines, heating furnaces, and every other type of equipment.

Bethlehem has been well up in front in this expansion program. In expanding manufacturing and fabricating facilities, strengthening its position through acquisition of raw material properties, and other improvements, its capital expenditures in the decade ended with 1955, totaled approximately $1 billion. About $740 million of this total was spent for steel, fabricating, and miscellaneous properties, about $170 million for the purchase of raw material sources, $64 million for increased transportation equipment which represents a vital link in the making of steel and its distribution, and about $26 million was spent to improve and increase shipbuilding and ship repair properties.

Perhaps a sharper delineation of Bethlehem's growth can be drawn from its productive capacity which increased from 12,900,000 tons of steel ingots and castings in 1946 to 20 million tons at the beginning of 1956, a gain of approximately 55%. Net production of steel ingots and castings scored an even greater gain in the same period, rising from a little more than 10 million tons to 18.8 million tons, up almost 89%.

Its Production and Earnings Uptrend

More striking still is the rapid growth in the company's total revenues and net income. Considering that the year 1946 was one of transition from a war to a peacetime basis, its comparison with subsequent years may cause some distortion. However, Bethlehem, with the exception of the war years, when both its steel making and shipbuilding facilities operated at capacity on military business, revenues never went above $603 million, while the record high in net income had been set at $48.7 million. Nevertheless, 1946 revenues of $791.7 million set a peacetime high and apparently foreshadowed things to come. In the following year, revenues went over the billion dollar mark, producing net earnings of $51.1 million, or $4.98 per common share after giving effect to the 3-for-1 stock split in December of that year.

Within the next five years, total revenues more than doubled, reaching $2,094 million in 1952 with net income amounting to $90.0 million which, after preferred dividends, was equal to $8.80 a share. From an earnings standpoint, Bethlehem had not yet begun to garner the benefits of capital expenditures made in recent previous years. In 1952 net income per dollar of total revenue was 5.3%. By 1955, this percentage had increased to 8.5%. In that year net income, at a historical high of $180.2 million, was equal to $18.09 a share for the common stock.

Apparently, Bethlehem along with the rest of the steel industry, is not through growing. Since December 31, 1955, Bethlehem's directors have authorized additional expenditures of approximately $125 million for further additions and improvements to properties. The bulk of this sum will go to provide expanded steel capacity at the Sparrows Point, Md., plant, and will provide for additional electric and steam generating facilities, a new battery of coke ovens, more scrap preparation facilities, a blast furnace, also 7 furnaces and auxiliary equipment for an open hearth department, additional soaking pits, and a universal slabbing mill.

Bethlehem has and is growing in other ways. Not so many years ago it was known especially as a producer of heavy steel products such as rails, track accessories, freight cars, wheels and axles for the nation's railroads, and structural shapes for bridges, buildings and other structures. It is still a big producer of such products and has been expanding facilities to raise output of wide-flange structural and standard shapes 50%, to 210,000 tons a month. Steel plate, another heavy steel product, was slated last year to be increased to 1.4 million tons a year.

Expansion as a Producer of Diversified Steel End Products

It sounds pardoxical but while demand for these and other heavy products is increasing, they are representing a smaller percentage of Bethlehem's business. The reason is the steady gain of the company as a producer of light steel products. Into this category fall such items as sheets and strips, bars, pipe, wire goods, wire products, tool steels, a great variety of shapes for various industries. In addition, it manufactures a wide assortment of goods for the oil country.

This broad diversification over the years has made Bethlehem a well-rounded steel producer and manufacturer. In addition, as has already been mentioned, it is also an important ship builder and ship repairer. As a matter of fact, it is the world's largest shipbuilding enterprise, having facilities to build and repair all types of naval and merchant ships. At Sparrows Point, where it operates the world's largest tidewater steel plant, it also has the Sparrow Point Yard, one of the largest facilities for the construction of merchant ships which makes a unique and efficient set-up because of the fact that the steel mill and shipyard are alongside of each other.

Bethlehem, as a steel producer, is a fully integrated company. Its iron (*Please turn to page* 235)

17 Candidates For Splitups

By WARD GATES

Next to the pride the management of any publicly owned company takes in maintaining a good earnings record and a strong financial status is the extreme satisfaction it derives from adding more names to its list of shareowners.

There's more than one reason for this. To be sure, a new name on the list signifies a vote of confidence on the part of one more investor in the company and its future. Of importance, too, is the fact that the company has gained in investor popularity and added another booster of its products.

Stock Price As Barrier

Not much progress along this line will be made if a company's shares, blue chips though they may be, are selling at a relatively high level. The price will be beyond the reach of the average investor or require from those with greater available funds too large an amount that would be out of proportion to other investments in their portfolio.

Relatively few investors, for this reason, could afford to purchase as many as 100 shares of a stock selling at $100 or more. Even the minimum price in that range would require an outlay of $10,000. A recent study by the New York Stock Exchange, the first since the Brookings Institute survey in 1952 revealed there were 8,630,000 individuals at 1955 year-end owning shares in publicly-held companies. It also showed the median annual income of these shareowners to be $6,200.

Bringing Quality Stocks Within Reach

Obviously, the "rank and file" investor, seeking good-quality common stocks, preferably in round lots, is barred economically from purchasing issues selling anywhere between $80 and $100 and more per share. Bringing the market price down to a more popular level is almost a sure way to make the issue available to the greater number of investors.

This can be accomplished by the simple procedure of asking present holders' approval for splitting the shares, usually on a 2-for-1 basis, although there have been any number of instances where stock splits have been made on the basis of 3 for 1 and more.

From the records, over a period of years, the

average stockholder likes the idea of stock splits. It would be a rare occasion, indeed, where the majority of a company's shareowners rejected the plan under which they would get two or more shares in place of each one owned.

More often then not, dividends on the new stock are sooner or later raised and price adjustment of the shares in the market, under favorable conditions, create a new base for a price upswing that is often more rapid than might have been recorded by the higher-priced old shares.

Another advantage is the broader distribution of the new shares. This makes for greater market stability. Where an issue is in the hands of just a few large holders there always is the possibility of large blocks, for one reason or another, coming on to the market and unduly depressing the price. Moreover, the company splitting up its shares, thus attracting new owners because of the adjusted lower price, expands its number of shareowners, creating a larger source of new capital to finance growth.

Hunting Split Candidates

Many investors constantly are on the alert to spot issues that appear to be logical stock-split candidates. Last year 73 listed stocks were split 2 for 1, or better. In the first half of the current year 56 Big Board stocks were split 2 for 1, or better. Of this six months' total, 38 issues were split 2 for 1, four were in a ratio of 2½ for 1, 11 were split 3 for 1, two were split 4 for 1 and another 5 for 1.

The latter split was made by U. S. Gypsum Co., on January 30, last, to which we called our readers' attention in the October 1, 1955 issue of THE MAGAZINE in an article captioned "Stock Split Candidates 1955-1956."

Another issue mentioned in that article was Chicago, Rock Island & Pacific Railroad, which effected a 2 for 1 split last January 23.

In the same issue of THE MAGAZINE we presented a list of 22 candidates for stock splits, 10 of which have so far this year put such splits into effect. Of this number, five were in a ratio of 2 for 1, 4 were split 3 for 1, and one was split 4 for 1. Some of the issues shown in that list which have yet to split are included in the tabulation accompanying this article.

Heading the alphabetical list herewith is *Addressograph-Multigraph*, currently priced in the market at 137. Earnings, in an uptrend over the past five years, established a new record high at $8.34 in the fiscal year ended last July 31. Cash dividends have been paid, without interruption, in every quarter for 20 years. During this period, sales multiplied more than eight times and retained earnings were used to finance necessary expansion, as well as to reduce funded debt which, as of last July 31, amounted to only $2,125,000.

Growth reflects progress through research and diversification of many types of production machines for business records, including a broad line of high-speed electronic printers. The company has strong finances, net current assets, at the close of fiscal 1956, amounting to $26.1 million. There is no pre-

17 Candidates For Stock Splits—1956-1957

	Price Range 1955-1956	1955 Earnings Per Share	1956 Estimated Earnings Per Share	1956 Indicated Div. Per Share	Recent Price	Div. Yield
Addressograph-Multigraph	154 - 77½	$ 7.86	$ 8.34[1]	$4.00[2]	137	2.9%
Aluminium Ltd.	150 - 72¼	4.83	6.00	2.35	121	1.9
American Home Products	143 - 65	5.35	8.75	5.00	130	3.8
Bethlehem Steel	169½-101½	18.09	15.00	8.50	165	5.1
Continental Oil	138 - 70	4.75	5.30	3.00	115	2.5
Douglas Aircraft	95⅝- 62¼	7.65	8.50	4.00	87	4.5
Du Pont	249¾-157	9.26	8.60	7.00	195	3.5
Ex-Cell-O Corp.	96 - 39½	5.41	7.50	2.50	84	2.9
Gulf Oil	147½- 61½	8.19	10.00	2.50[2]	112	2.2
Inland Steel	97¼- 66½	9.52	9.00	4.25	93	4.5
International Nickel	112⅝- 57⅛	6.15	6.85	4.50	100	4.5
International Paper	144½- 82	7.54	8.25	3.00	110	2.7
Kennecott Copper	147¾- 98¾	11.60	15.00	8.50	127	6.6
Louisville & Nashville R.R.	109 - 77½	10.53	11.50	5.00	90	5.5
Pittsburgh Plate Glass	96¼- 62	6.26	6.00	3.00	84	3.5
United Aircraft	87¼- 44	6.14	8.25	3.00	83	3.6
Wrigley (Wm.) Jr., Co.	103½- 86	5.91	6.00	5.00	91	5.4

1—Actual; year ended 7-31-56. 2—Plus stock.

ferred stock and the outstanding common shares total only 873,840 shares. Dividends on this issue currently are at an annual rate of $4 a share, which have been supplemented this year by a 3% stock dividend.

Aluminium Ltd., already a big aluminum producer, is moving rapidly ahead, installing added facilities to bring its aluminum-producing capacity to a million pounds annually, an increase of approximately 260,000 tons over the current figure, within the next three years. Despite power shortage, due to a powerline breakdown at Kitimat, and a water power shortage at the Quebec plants, earnings for the common stock in 1955 amounted to $4.83 a share. This showing also was made even though the big Kitimat facilities, because of comparatively small production, have not yet been brought to a point where they can earn a return on the substantial investment in the hydroelectric facilities which, in large part, have been designed and built to provide for higher levels of production. This objective, however, is expected to be reached by the end of this year. As a matter of fact, output there already has been increased with new smelters coming into operation, indicating a material gain over current year's first-half earnings of $2.48 a share. with results for all of 1956 being estimated at $6 per common share. Although new financing, possibly in the form of about $125 million in long-term debt may be necessary over the next few years to augment internally-generated cash for expansion expenditures, another moderate increase in quarterly cash dividends, recently raised to 60 cents a share, is believed likely some time in 1957. At that the yield on the stock, on the basis of its present market price, would still be somewhat insignificant which points up the fact that major investment interest in the stock is based on the long-term growth potential.

American Home Products 1956 prospects are for record high earnings which, for the first six months, reached $4.01 per share, against $2.45 a share for the corresponding months of 1955. The company, a leader in the ethical drug field, with world-wide distribution, has achieved broad diversification through its food and household products divisions. Over the eight years to the end of 1955, sales have been in an almost continuous uptrend, increasing from $139.5 million in 1947, to $252.3 million in 1955. In the 10 years to-the end of last year, it has reinvested about $43 million in the business, exclusive of $7 million expended to improve existing facilities. Its strong finances have permitted a liberal dividend payout on its capital stock.

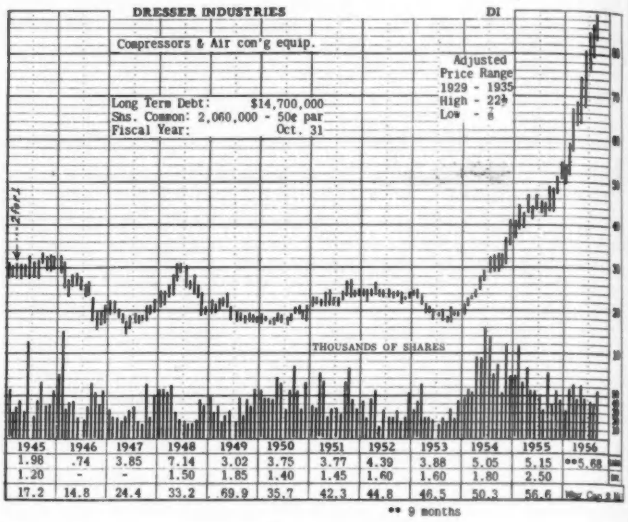
Bethlehem Steel. Attention is called to the exhaustive treatment of this company in the feature article appearing elsewhere in this issue of THE MAGAZINE.

Inland Steel has been a perennial favorite as a stock split candidate for several years. This appears logical, considering the steady growth of the company, as indicated by sales expansion from $217.7 million in 1946 to $659.7 million in 1955. Since the last splitup, effected at a ratio of 3 for 1 in April, 1946, earnings have increased from $3.18 a share for that year to $9.52 a share in 1955. Current year's earnings, notwithstanding the 5-week industry-wide strike in the third quarter, will approach 1955's record high. Inland has strong finances and only one class of stock which is currently selling around 93. The current dividend of $4 per share per annum plus a 25-cent year-end extra yields, on this price, 4.5%, a satisfactory return on this top grade steel stock.

Louisville & Nashville Railroad's last stock split which was in a ratio of 2 for 1, was made in March, 1945. Since then, earnings reached a high of $13.10 a share in 1953, reacted to $8.09 in the following year and recovered to $10.53 in 1955, notwithstanding a two-month work stoppage of certain employees under the direction of their national labor union leaders. Both revenues and earnings for the first eight months of 1956, ran well ahead of the corresponding period of last year, net income for the capital stock rising to $6.98 a share from $5.90 a year ago, indicating full year results at close to $11.50 a share. During the postwar years, L & N has expended approximately $300 million on improvements, including complete dieselization, centralized traffic control over 1,000 miles of road, building of several modern classification yards. Awaiting approval by the ICC is the road's proposal to merge L & N's 72% owned Nashville, Chattanooga & St. Louis Ry., which if granted should result in operating economies and other benefits that should find reflection in future earnings. A stock split may be deferred until the proposed merger is completed. Meanwhile, there appears to be a good possibility that dividend payments will be increased above the current $5.00 annual rate, or, in lieu of such action, possibly an extra distribution. The stock, presently priced around 90, is selling to yield 5.5%.

United Aircraft Corp., has made two liberal stock dividend payments in the last six years. The first of such distributions, amounting to 20%, was made in May, 1951, and the second, designated as a 3-for-2 split, was paid in September, 1955. Through its Pratt & Whitney Aircraft Division, it is one of the largest manufacturers of piston and jet turbo engines for commercial and military planes. Its Sikorsky Aircraft Division is a leading producer of commercial and military helicopters and a third division, the Hamilton Standard, is the world's major supplier of piston powered aircraft propellers, producing, in addition, a broad line of other aircraft equipment. Consolidated 1955 sales totaled $697.9 million, 89% of which represented sales to the U. S. Government with net income of $31 million being equal to $6.14 a share after adjustment for the stock split in that year. For the first six months of 1956, sales and other income of $460 million increased approximately $100 million over the comparable 1955 period and net income for the common stock of $4.02 a share compares with $3.02 a share a year ago. As of June 30, last, total order backlog, including Government letters of intent, stood at $2.1 billion. The issue, currently selling at 83, and paying 75-cent quarterly dividends, yields 3.6%.

While the accompanying list of 17 candidates for stock splits is made up of sound, dividend paying issues, neither the list nor our foregoing detailed comments on selected companies, are meant to carry definite buying advice at this time. However, commitments might be considered upon major price reactions. —END



Oilfield Suppliers In New Growth Stage

By OUR STAFF

Oilmen, in quest of more petroleum against the increasing needs of the future, are ranging the earth. In such faraway places as Libya, Algeria, Pakistan, Somalia and other parts of the world, American companies are exploring vast land areas for new reserves. Nearer to home, exploration is being stepped up in the Western hemisphere, from Canada southward to South American countries.

In the United States alone, oil producers last year drilled close to 56,000 wells. It is expected the number of new wells this year will go above 59,000. With the increase of new wells being drilled has come greater depth, drill bits being pushed down from three to four miles. These broader and deeper operations, world-wide in scope, require increasing quantities of what the oilwell supply companies sell, including drill pipe, tubing and casing, production equipment, and other oilfield requisites, running in number into the hundreds.

It is estimated that over the next five years capital expenditures of the petroleum industry throughout the free world will reach about $50 billion. This is about 40% more than in the preceding five years. While a portion of this increased sum will go for other needs of the industry, the increased drilling activity points to an increasing volume of sales, with prospects of higher earnings and increased dividend payments, for leading oilwell-supply companies. Among the leaders in this field are Dresser Industries, Halliburton Oil Well Cementing, and the National Supply Co., on each of which we present a brief analysis herewith.

DRESSER INDUSTRIES, INC.

BUSINESS: Through 13 operating units, plus 17 wholly-owned and two majority-owned foreign subsidiaries, Dresser operates on a world-wide basis. Its many products and services including complete seismograph systems, drilling bits, drilling-fluid materials, engines, compressors, pumps, pipeline coupling and fittings, blowers, etc., serve every division of the oil and gas industry from exploration, drilling, production through to refining.

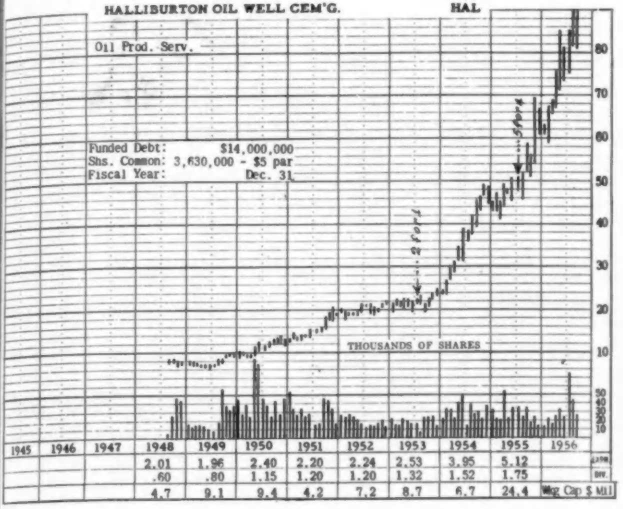
OUTLOOK: While many of these products are sold in other fields, the company's principal customers are the steadily growing oil, gas and chemical industries. Dresser's growth in recent years, aided by its sound policies in broadening activities through acquisitions, has been especially rapid. Since fiscal 1947, sales have increased from $80 million to a record high of $164.7 million in the fiscal year ended October 31, 1955. Net earnings for the latter year, also at a record high level, of $10.3 million were equal to $5.15 per common share on the basis of 1,991,696 shares outstanding, compared with previous year's net of $9.6 million, or $5.05 a share, including 33 cents of non-recurring income, on 1,876,000 outstanding shares at the end of fiscal 1954. The 115,696 share increase was accounted for, in part, by acquisition of minority interests in a subsidiary and conversion of all the outstanding preferred stock. Indications are that new record highs in both sales and earnings were established in the fiscal year that ended October 31, 1956. In the nine months to July 31, net sales increased to $160.7 million from $117.6 million a year ago, while net earnings, aided by a substantial improvement in operating efficiency, increased from slightly more than $7 million in last year's nine months' period, equal to $3.42 a share, to $11.7 million or $5.68 a share.

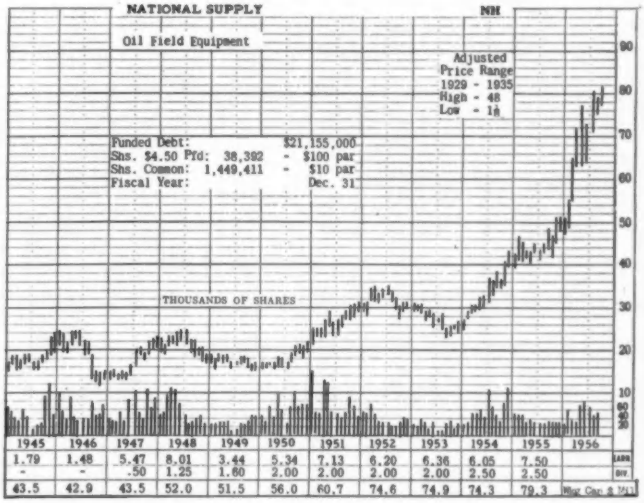
DIVIDENDS: Present annual dividend rate is $3 a share. Stockholders, will vote on November 19, on proposal to split the shares 2-for-1. Upon approval, Dresser plans to put the new stock on a $1.80 annual dividend basis.

MARKET ACTION: Recent price of 89¼ compares with 1955-56 price range of High—90½, Low—36¾. At current price, the yield on present stock is 3.36%.

COMPARATIVE BALANCE SHEET ITEMS

	October 31 1946	1955 (000 omitted)	Change
ASSETS			
Cash & Marketable Securities	$ 2,867	$ 23,211	+$ 20,344
Receivables, Net	9,064	23,696	+ 14,632
Inventories	18,498	34,413	+ 15,915
TOTAL CURRENT ASSETS	30,429	81,320	+ 50,891
Net Property	9,877	34,675	+ 24,798
Investments	075	334	+ 259
Other Assets	1,335	2,102	+ 767
TOTAL ASSETS	$ 41,716	$118,431	+$ 76,715
LIABILITIES			
Current Debt Maturities	$ 7,000	$ 150	—$ 6,850
Accounts Payable	5,253	11,588	+ 6,335
Accruals	1,873	4,474	+ 2,601
Tax Reserve	1,450	8,468	+ 7,018
TOTAL CURRENT LIABILITIES	15,576	24,680	+ 9,104
Other Liabilities	....	632	+ 632
Long Term Debt	......	14,700	+ 14,700
Preferred Stock	5,940	....	— 5,940
Common Stock	548	996	+ 448
Surplus	19,652	77,423	+ 57,771
TOTAL LIABILITIES	$ 41,716	$118,431	+$ 76,715
WORKING CAPITAL	$ 14,853	$ 56,640	+$ 41,787
CURRENT RATIO	1.9	3.3	+ 1.4





HALLIBURTON OIL WELL CEMENTING CO.

BUSINESS: Renders various types of services to the oil and gas industry throughout the world. While its process of oil and gas-well cementing, together with formation testing and fracturing, are the prime contributors to revenues, other activities are oil-well acidizing and electrical-well service. In addition, it makes for its own use and sells a variety of specially designed oilfield tools and equipment. Resale of bulk cement and certain chemical admixtures, bought for its service activities, contribute to gross revenues.

OUTLOOK: Through its approximately 200 operating centers in 21 states of this country and six in foreign countries, Halliburton represents one of the most diversified service companies in the oil and gas industry. Its equipment will be found in almost every oilfield operation in the U. S., Canada, Mexico and South America, Saudi Arabia, Libya and other parts of the world that to a majority of people are but names in geographies. An expanding oil and gas industry, plus Halliburton's research to develop new and improved processes and materials, have been important contributors to the company's growth. From $40.8 million in 1947, gross revenues have climbed in each year to an all-time peak of $152.4 million in 1955, the latter figure representing a gain of 20.6% over the previous year's $126.4 million. Earnings for 1955 increased to $5.12 per common share (there is no preferred) from $3.95 a share for 1954. In the 1956 first half-year, gross revenues set a new high for any first six months in the company's history, reaching $86.3 million, a gain of 20.5% over 1954 first half-year's revenues of $71.5 million, with net income rising from $7.6 million, or $2.33 a share a year ago, to $9.6 million, the equivalent of $2.65 a share. The 1956 third-quarter showing, because of the effect of the steel strike on oilfield drilling operations may be off somewhat from the first two quarters, but full year's earnings should be well ahead of 1955 results, with the longer-term outlook warranting expectation of further substantial growth.

DIVIDENDS: Payments in the current year were increased from 50 to 60 cents quarterly, putting the shares on an annual $2.40 basis.

MARKET ACTION: Recent price of 88 compares with 1955-56 price range of High—91½, Low—41. At current price, the yield is 2.72%.

COMPARATIVE BALANCE SHEET ITEMS

	February 29 1948	December 31 1955	Change
ASSETS		(000 omitted)	
Cash & Marketable Securities	$ 4,482	$ 14,378	+$ 9,896
Receivables, Net	5,559	22,379	+ 16,820
Inventories & Supplies	1,504	16,123	+ 14,619
TOTAL CURRENT ASSETS	11,545	52,880	+ 41,335
Net Property	13,286	51,080	+ 37,794
Investments	032	436	+ 404
Other Assets	5,753	310	— 5,443
TOTAL ASSETS	$ 30,616	$104,706	+$ 74,090
LIABILITIES			
Notes Payable	$ 333	$ 1,000	+$ 667
Accounts Payable	1,384	8,604	+ 7,220
Accruals	934	4,868	+ 3,934
Tax Reserve	3,188	13,926	+ 10,738
TOTAL CURRENT LIABILITIES	5,839	28,398	+ 22,559
Other Liabilities	100	....	— 100
Reserves	....	300	+ 300
Long Term Debt	2,667	14,000	+ 11,333
Common Stock	6,560	16,400	+ 9,840
Surplus	15,450	45,608	+ 30,158
TOTAL LIABILITIES	$ 30,616	$104,706	+$ 74,090
WORKING CAPITAL	$ 5,706	$ 24,482	+$ 18,776
CURRENT RATIO	1.9	1.8	— .1

THE NATIONAL SUPPLY CO.

BUSINESS: Ranks as the world's largest manufacturer and distributor of oilfield machinery and equipment. Its Spang-Chalfant Division is an important producer of seamless tubular products, including drill pipe, oil-well tubing and casing, and related products, primarily for the oil industry. Welded pipe, electrical conduit, heavy-duty torque converters and other products for a wide variety of other industries also are produced.

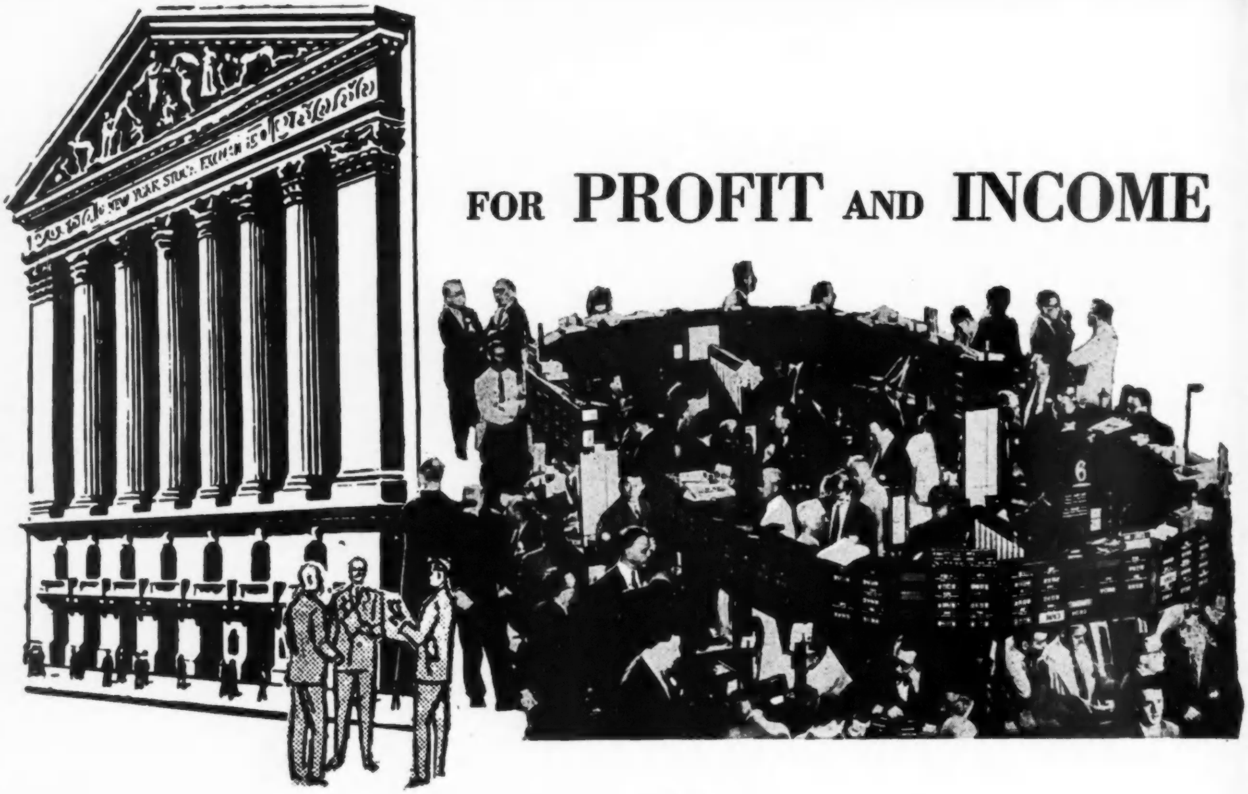
OUTLOOK: National, through seven regional divisions, covers all major oilfields of theU. S. and Canada, while its Export Division sells to virtually every other oil-producing country in the Free World. Reflecting the high level of drilling activity and the greater depth to which wells are being sunk, requiring a constantly increasing demand for pipe, supplies and equipment, net sales of the company for the year to December 31, 1955, reached a record high of $259.8 million, up from the previous year's $231.7 million, with net income at $11.4 million, or $7.50 a share, compared with $9.3 million, the equivalent of $6.05 a share, for 1954. It is evident from the showing for the first six months of the current year that new highs in both net sales and earnings will be established for 1956. For the half-year period, net sales of $147.4 million ran $26 million ahead of the comparable 1955 period, a gain of 21.4% while consolidated net income for the 1956 half-year increased 80%, or from $4,431,411, equal to $2.86 a share, to $8,089,414, the equivalent of $5.52 a share, an increase due not only to higher sales volume but to greater operating efficiency as well. While the outlook for continued high volume of oilfield supply sales is supported by steadily mounting world-wide oilfield activity, National aims for further growth through further product diversification and, through research, further to improve and develop products for the oil industry.

DIVIDENDS: Payments, maintained on a 62½-cent quarterly basis in recent years, were increased to 75 cents quarterly, the present rate, early in 1956.

MARKET ACTION: Recent price of 83½ compares with 1955-56 price range of High—85½, Low 38¾. At current price, the yield is 3.59%.

COMPARATIVE BALANCE SHEET ITEMS

	December 31 1946	June 30 1956	Change
ASSETS		(000 omitted)	
Cash & Marketable Securities	$ 11,026	$ 14,187	+$ 3,161
Receivables, Net	11,028	48,651	+ 37,623
Inventories Less Reserve	30,155	51,993	+ 21,838
TOTAL CURRENT ASSETS	52,209	114,831	+ 62,622
Net Property	17,946	32,910	+ 14,964
Investments	1,475	895	— 580
Other Assets	077	2,677	+ 2,600
TOTAL ASSETS	$ 71,707	$151,313	+$ 79,606
LIABILITIES			
Current Debt	$ 500	$ 500	+$ ....
Accounts Payable	5,604	12,853	+ 7,249
Accruals	3,042	7,905	+ 4,863
Tax Reserve	122	10,198	+ 10,076
TOTAL CURRENT LIABILITIES	9,268	31,456	+ 22,188
Reserves	1,944	....	— 1,944
Long Term Debt	11,000	20,438	+ 9,438
Preferred Stock	28,011	3,819	— 24,192
Common Stock	11,549	14,505	+ 2,956
Surplus	9,935	81,095	+ 71,160
TOTAL LIABILITIES	$ 71,707	$151,313	+$ 79,606
WORKING CAPITAL	$ 42,941	$ 83,375	+$ 40,434
CURRENT RATIO	5.6	3.6	— 2.0



FOR PROFIT AND INCOME

Seasonal

Circumstances and sentiment wholly govern what the market does most of the time; and largely dictate whether the "usual" seasonal year-end rise will be vigorous, feeble or absent. It is a fact that instances where the early-January highs of the daily industrial average fail to better the December lows have been rare, but variations in degree of rise, and in the timing of December lows, have been very wide. December as a whole has the best record of any month, with net gain in 42 of the last 58 years, decline in 16 years. Rails have made their best average showing in July, with advances more than twice as numerous as declines. This average's December record has been 34 ups and 24 downs. Although November results have often been influenced by tax-selling when numerous stocks were well down from earlier highs, as is so now, there is no significant seasonal bias in the record. November ups and downs for rails have been almost equally balanced, while the industrial average has had net November gains in roughly three years out of five. What will happen this year? Answer: We do not see basis for significant November or December rise. Its absence could mean net declines in one or both months. We would be pleasantly surprised if the year-end upturn is not well under most past ones in scope.

Stock Groups

With most stock groups, as well as the market, in a phase of trading-range fluctuation, the recent cross-currents among the groups have not been pronounced in many instances; and some could readily be altered, for better or worse, by the time you read this comment. But here is how it shapes up at this writing: (1) better-than-average behavior by coal stocks, drugs, electrical equipment, department stores, food stores, bank stocks, natural gas, shipbuilding, shipping, sugar and tobaccos; (2) poorer-than-average behavior by aluminum stocks, automobiles, coppers, meat-packing, metal fabricators, office equipment, radio-television, liquor, soft drinks, sulphur and textiles.

Strong

Stocks meeting much better than average demand at this writing—most of which have been doing so for some time—include: American Chain, Consolidated Cigar, Kelsey-Hayes Wheel, Link Belt, Pfizer, Square D, Outboard Marine, Gimbel Bros., Macy, General Cigar, Marine Midland, Halliburton, Newport News Shipbuilding (in which possibilities were cited here recently at a lower level), Chesapeake & Ohio, Pittston, Timken Roller Bearing, Columbia Gas,

INCREASES SHOWN IN RECENT EARNINGS REPORTS

		1956	1955
Atlantic Refining Co.	9 mos. Sept. 30	$3.53	$2.61
American Export Lines	Quar. Sept. 30	1.65	1.09
Caterpillar Tractor	Quar. Sept. 30	1.42	1.05
Marquette Cement Mfg. Co.	Quar. Sept. 30	1.02	.86
Parke, Davis & Co.	Quar. Sept. 30	.73	.64
St. Regis Paper	9 mos. Sept. 30	2.40	2.15
Continental Can	Quar. Sept. 30	1.44	1.32
Fairbanks, Morse & Co.	Quar. Sept. 30	.78	.40
Florida Power & Light	Quar. Sept. 30	.65	.50
Penna. Salt Mfg. Co.	Quar. Sept. 30	.64	.55

Joy Manufacturing, Thompson Products, U. S Steel and Virginia Railway.

Soft

Among the numerous worse-than-average and unappealing performers at this time are: Aluminum Company, Bohn Aluminum, American Optical, Commercial Solvents, Anaconda, Howe Sound, Lorillard, American Viscose, Coca-Cola, Magma Copper, Underwood, Ward Baking, Kennecott Copper, Kaiser Aluminum, Consolidated Textile, Crane, General Precision Equipment, Philco, Admiral, Swift, United Fruit, Radio Corp., St. Joseph Lead, Murray Corp., United Biscuit, Abbott Laboratories, Avco, Westinghouse Electric, Deere, Marathon Corp., Beaunit Mills, Kress, Industrial Rayon, Clevite, Colgate, Murphy, Dixie Cup, Ferro Corp., Monsanto Chemical, Granby, Heyden Chemical, Stevens and U. S. Plywood.

Bear Markets

If figured as starting in mid-1949—some sticklers and quibblers put the start in September, 1953— this has been one of the biggest and longest bull markets. But within its lifetime to date there have been, as usual, bear markets in some stock groups—bear markets completed and reversed in some instances, not in others. Since 1949 groups which have at various times moved counter to the general trend in wide degrees for protracted periods include: rayon and other textiles, variety-chain stores, "wonder-drug" stocks, automobiles, farm machinery, beer brewers (now in a seven-year bear market), gold mining (down almost steadily for about two years, and irregulary since 1936, for U. S. issues), radio-television (down without much relief since mid-1955), sugar (down for about two and a half years through 1953), and cigarettes (down for nearly a year to mid-1954). With the major trend now a question mark, since the industrial list has yet to better its earlier 1956 high or to break down through its low of last May, two other stock groups give every evidence of having shifted recently into their own bear markets. They are aluminum and coppers.

Addenda

We have previously commented adversely on the latter two. Aluminum prices remain firm and development of significant easing is not now forseeable. The trouble here is threat of basic over-supply, as distinct from recurrent periods of temporary over-supply, within less than two years; untenably high price-earnings ratios and low yields. Copper largely is a price situation. Per-capita consumption is not growing. It remains well under earlier peak levels. Recent previous periods of tight supply have been artificial in considerable degree, stemming from mine strikes from time to time in one major world-producing area or another Present supply is more than ample. Following an excessive price rise to 46 cents a pound (for domestic producers), there was a cut to 40 cents in July, and now a further cut to 36 cents. In consumer goods, demand is repressed by high prices, stimulated by low prices. The reverse is so for copper. As long as prices move higher, buyers stock up. When they head down, resulting in inventory losses on existing stocks, buyers quickly shift to a hand-to mouth policy. The July cut to 40 cents did not boost demand. The recent cut to 36 cents will not do so. Apparent, and possibly temporary, price stabilization is not enough. Buyers will "go slow" until they think they see a basis for higher prices. When that might be is not now foreseeable. Dividend yields are high; and for a considerable time to come copper stocks will "look cheap" on a running average of 12 months' earnings. Don't let that fool you. Sharply lower prices mean sharply lower *current* earning power. Copper stocks, which fared considerably worse than the market from early 1952 to September of 1953, still retain roughly 80% of their subsequent huge rise. We continue to think they are better sales than buys or holds.

Machinery

Makers of machinery — other than farm equipment — and of machine tools are favored by (1) record outlays for new plant and equipment; and (2) ability to pass along higher costs in their selling prices, unlike the situation in most consumer-goods lines. In most cases, earnings and dividends are at record levels. Prospects are excellent at least well into the forepart of 1957. Long-range potentials are promising, allowing for population growth, the firm expansion programs of many large companies, and pressure to improve producing facilities as an offset to higher labor costs. But it is still a cyclical field of business; and credit stringency, plus temporary overexpansion of facilities in some lines, could readily result in some reversal, starting at some point next year. Therefore, the more promising stocks are not those showing sharp 1956 profit gains, but those companies whose order backlogs and prospective additional orders indicate probable materially higher 1957 and 1958 earnings.

Babcock & Wilcox

This company, the largest maker of steam-generating equipment for utilities and a number of other industries, had an order backlog of $370 million as of June 30, equal to over 18 months of sales at the 1955 rate, against $213 million at the start of this year. It is no doubt higher now. Due to the normal lag between orders for shipments of heavy machinery, plus the hampering effects of the July steel strike, 1956 net probably will be a little under 1955's $2.62 a share. On this basis, the stock does not look cheap at 40 on a $1 dividend. But the promise of substantially high-

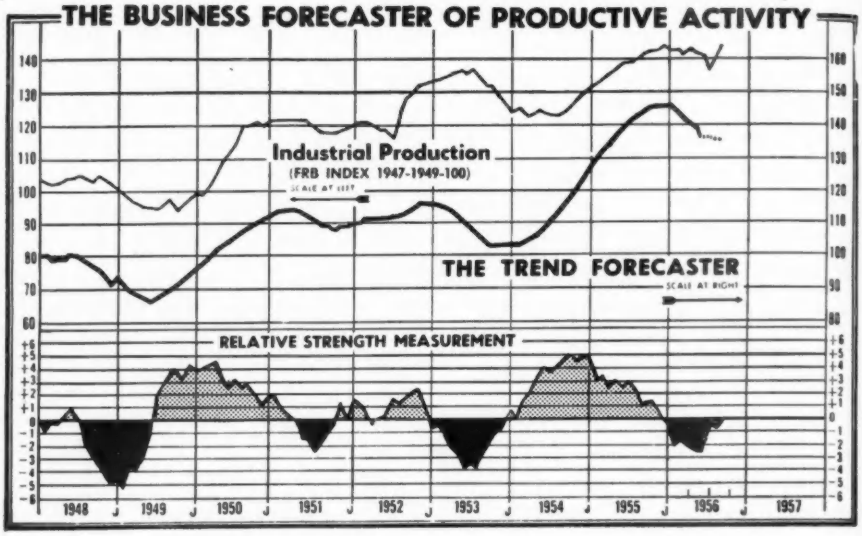
(*Please turn to page* 217)

DECREASES SHOWN IN RECENT EARNINGS REPORTS

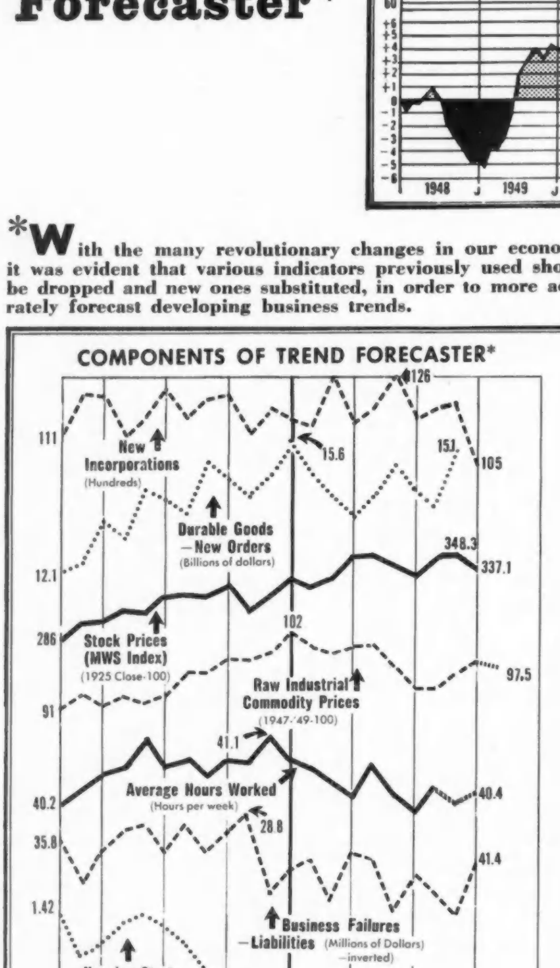
		1956	1955
Elliott Co.	Quar. Sept. 30	$ .31	$ .72
Ferro Corp.	9 mos. Sept. 30	2.67	2.89
Union Carbide & Carbon	Quar. Sept. 30	1.10	1.30
Crucible Steel Co. of Amer.	Quar. Sept. 30	.28	1.52
Elgin National Watch	28 weeks Sept. 15	.13	.29
Industrial Rayon Corp.	Quar. Sept. 30	.34	1.18
King-Seeley Corp.	Year July 31	3.78	4.76
Libbey-Owens-Ford Glass	Quar. Sept. 30	.88	1.34
Eaton Mfg. Co.	Quar. Sept. 30	.85	1.05
General Tire & Rubber	9 mos. Aug. 31	3.66	4.90

the Business

Business Trend Forecaster *



***W**ith the many revolutionary changes in our economy, it was evident that various indicators previously used should be dropped and new ones substituted, in order to more accurately forecast developing business trends.**



* —Seasonally adjusted except stock and commodity prices.
(a)—3 month moving average.

This we have done in our new *Trend Forecaster* (developed over a period of several years), which employs those indicators (see Components of Trend Forecaster) that we have found to most accurately project the business outlook.

When the *Forecaster* changes its direction up or down a corresponding change in our economy may be expected several months later.

The depth or height of the developing trend is clearly presented in our *Relative Strength Measurement* line, which reflects the rate of expansion or contraction in the making. When particularly favorable indications cause a rise that exceeds plus 3 for a period of time, a strong advance in general business is to be expected. On the other hand, penetration of minus 3 on the down side usually precedes an important contraction in our economy.

We believe that subscribers will find our Business Trend Forecaster of increasing usefulness both from the investment and business standpoints.

Current Indications of the Forecaster

In recent months, the components entering into the Trend Forecaster have behaved in a mixed fashion, with individual changes closely offsetting each other. In the third quarter, housing starts and the rate of new business incorporations have been generally weak; nonresidential building awards have been mildly stronger; commodity prices were generally strong; and such other indicators as stock prices, average hours worked, business failures and new orders in durable goods industries fluctuated erratically. On balance, the fairly general downtrend of the first half was replaced by stability.

Reflecting this improvement, the **Relative Strength Measurement** turned sharply upward in the third quarter, but did not penetrate above the zero line. **The Trend Forecaster** itself thus stabilized, after about six months of decline.

By July, the rapid recovery of the **Relative Strength Measurement,** and the end of the decline in **The Trend Forecaster,** was suggesting renewed strength in total business activity. However, in August and September neither measure reflected the beginnings of an important new advance such as appeared in **The Trend Forecaster** in early 1954. This indicates clearly enough that the present recovery has not broadened out and that the implications of **The Trend Forecaster** for early 1957 are not now encouraging.

Analyst

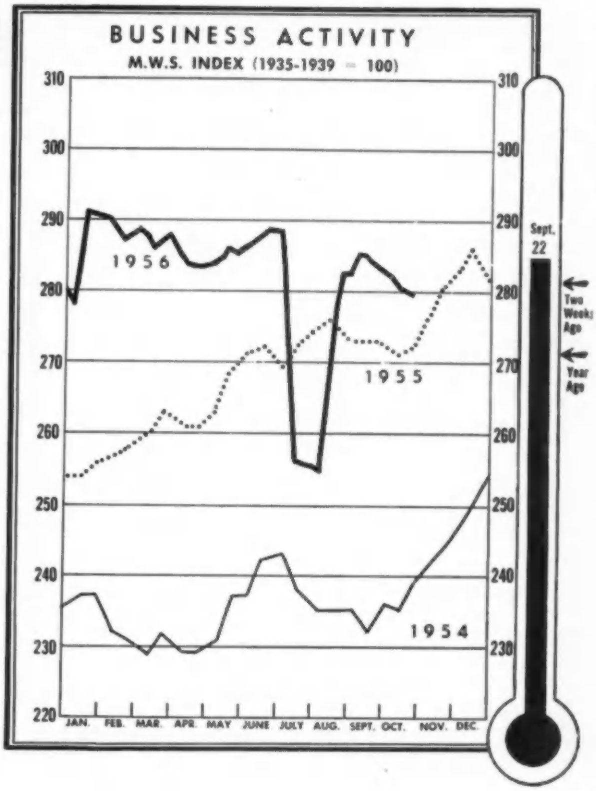
CONCLUSIONS IN BRIEF

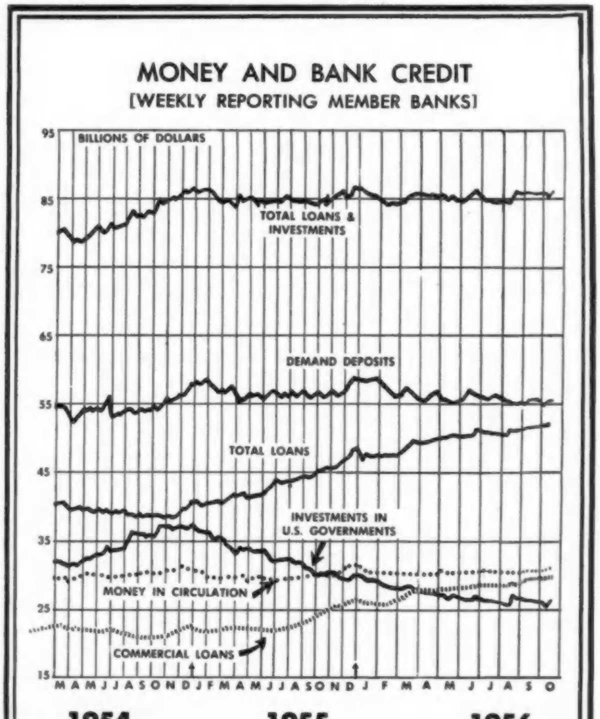
INDUSTRY — Total production activity is now rising slightly, thanks largely to rising production of 1957-model autos, and some further gains in machinery production. Output will continue to advance slowly into early 1957.

TRADF — Total retail sales have subsided a little from their torrid summer pace, but mainly because of unseasonably warm weather and a tendency on the part of auto buyers to await new models. The outlook is still for record total sales from here through Christmas.

MONEY AND CREDIT — As tight as ever, with the impact now falling clearly on mortgage money — particularly VA-FHA money, where interest rates are pegged at 4½%. Selective easing of the impact on housing, through administrative changes, has already begun, and will broaden out in the next three months.

COMMODITIES—The fighting in Egypt brought sharp price advances for leading commodities at the end of October, although the general run of prices remained in a narrow range. If the Middle East conflict is brought to a quick conclusion, high output and supplies of most commodities, could bring a general easing of prices.





Apart from developments connected with the election, discussed elsewhere in this issue, the general trend of business remains what it has been since August: tilted moderately upward. It continues to lack the dynamic quality associated with a major expansion, even in the face of rapidly rising automobile production (see below). In fact, while the steel and auto markets remain hectic, the tone of business news is beginning to return to the hesitancies and doubts that prevailed immediately prior to the steel strike. The hesitancy is especially noteworthy in prices: **The general wholesale price level is now clearly running into stiff opposition from purchasers,** and a few significant price increases of past months have already been quietly blue-penciled. This may be changed of course, if hostilities in the Middle East spread further.

The MWS forecast of business conditions remains extremely cautious beyond the first quarter of 1957. **For a two-dimensional view of the grounds for caution, we suggest continuing examination of trends in (a) *auto sales*** (not *production,* which is bound to be good for several months); and **(b) business inventories.** For the fact seems to be that at current production rates, it will take a 7-million car year in 1957 to keep inventories of steel, copper and other basic materials from swelling dangerously. (MWS does not look for a 7-million year, for reasons set out below.

Outside the steel-autos sector, trends are no longer strongly upward. While machinery production is still climbing (and carrying the industrial production index up with it) new orders for machinery have approached a long-expected plateau: Business in the machinery industry is now near a basic peak to which it has climbed over the past eighteen months. *(Please turn to following page)*

Essential Statistics

THE MONTHLY TREND	Unit	Month	Latest Month	Previous Month	Year Ago
INDUSTRIAL PRODUCTION* (FRB)	1947-'9-100	Sept.	144	142	142
Durable Goods Mfr.	1947-'9-100	Sept.	163	159	160
Nondurable Goods Mfr.	1947-'9-100	Sept.	129	128	128
Mining	1947-'9-100	Sept.	129	128	123
RETAIL SALES*	$ Billions	Aug.	16.2	16.0	15.7
Durable Goods	$ Billions	Aug.	5.5	5.5	5.8
Nondurable Goods	$ Billions	Aug.	10.7	10.5	9.9
Dep't Store Sales	1947-'9-100	Aug.	128	128	119
MANUFACTURERS'					
New Orders—Total*	$ Billions	Aug.	28.9	27.0	28.7
Durable Goods	$ Billions	Aug.	15.1	13.5	15.1
Nondurable Goods	$ Billions	Aug.	13.8	13.5	13.6
Shipments*	$ Billions	Aug.	27.5	26.2	27.2
Durable Goods	$ Billions	Aug.	13.6	12.6	13.7
Nondurable Goods	$ Billions	Aug.	13.9	13.5	13.5
BUSINESS INVENTORIES, END MO.*	$ Billions	Aug.	86.0	85.8	79.6
Manufacturers'	$ Billions	Aug.	49.4	49.2	44.3
Wholesalers'	$ Billions	Aug.	12.8	12.8	11.9
Retailers'	$ Billions	Aug.	23.8	23.8	23.3
Dept. Store Stocks	1947-'9-100	Aug.	141	138	129
CONSTRUCTION, TOTAL	$ Billions	Sept.	4.3	4.3	4.2
Private	$ Billions	Sept.	2.8	2.9	2.9
Residential	$ Billions	Sept.	1.4	1.4	1.6
All Other	$ Billions	Sept.	1.4	1.5	1.3
Housing Starts*—a	Thousands	Sept.	1,000	1,110	1,262
Contract Awards, Residential—b	$ Millions	Sept.	764	874	733
All Other—b	$ Millions	Sept.	1,261	1,195	1,301
EMPLOYMENT					
Total Civilian	Millions	Sept.	66.1	66.8	64.7
Non-Farm	Millions	Sept.	52.1	51.9	51.0
Government	Millions	Sept.	7.2	7.0	6.9
Trade	Millions	Sept.	11.1	11.0	10.9
Factory	Millions	Sept.	13.3	13.3	13.4
Hours Worked	Hours	Sept.	40.5	40.2	40.9
Hourly Earnings	Dollars	Sept.	2.00	1.98	1.90
Weekly Earnings	Dollars	Sept.	81.00	79.60	77.71
PERSONAL INCOME*	$ Billions	Aug.	328.2	324.3	308.7
Wages & Salaries	$ Billions	Aug.	227	224	213
Proprietors' Incomes	$ Billions	Aug.	51	51	49
Interest & Dividends	$ Billions	Aug.	30	30	27
Transfer Payments	$ Billions	Aug.	19	19	17
Farm Income	$ Billions	Aug.	15	15	15
CONSUMER PRICES	1947-'9-100	Sept.	117.1	116.8	114.9
Food	1947-'9-100	Sept.	113.1	113.1	111.6
Clothing	1947-'9-100	Sept.	106.5	105.5	104.6
Housing	1947-'9-100	Sept.	122.5	122.2	120.4
MONEY & CREDIT					
All Demand Deposits*	$ Billions	Aug.	106.2	106.9	105.5
Bank Debits*—g	$ Billions	Aug.	80.8	78.3	74.7
Business Loans Outstanding—c	$ Billions	Aug.	29.2	29.2	24.2
Instalment Credit Extended*	$ Billions	Aug.	3.1	3.1	3.2
Instalment Credit Repaid*	$ Billions	Aug.	2.9	3.0	2.7
FEDERAL GOVERNMENT					
Budget Receipts	$ Billions	Sept.	6.2	5.0	5.5
Budget Expenditures	$ Billions	Sept.	4.9	5.9	5.3
Defense Expenditures	$ Billions	Sept.	3.1	3.5	3.6
Surplus (Def) cum from 7/1	$ Billions	Sept.	(1.7)	(0.9)	(4.0)

PRESENT POSITION AND OUTLOOK

To offset the progressive loss of stimulus from machinery industries, no new strength has yet appeared. Non-residential construction activity is now rising only slowly (and mainly because of public building activity); residential building remains at a low ebb, with little prospect of a recovery over the next six months. **In sum, the short-term gain in business conditions that began after the steel strike, shows signs of dragging,** and the automobile industry is carrying more and more of the burden of maintaining the rate of industrial output.

* * *

AUTOMOBILES—for the time being, this industry is carrying the business trend. After collapsing to a 50,000-per-week rate in early October, assemblies are now climbing past the 100,000 mark. Barring shortages or wildcat strikes, they should reach 150,000-per-week by late November, when all makers will have completed conversion to the 1957 models. Sales figures through early October were good enough to reduce dealers' stocks, but not strong by comparison with 1955, or even 1954. **November, however, is likely to provide a partial test of the 1957 auto market:** all three of the low-priced leaders — Ford, Plymouth and Chevrolet—will have been on sale for the full month.

While almost everybody expects 1957 sales to top the 6.0 million total for 1956, there is little consensus on the probable percentage gain. The average of most estimates falls between 6.5 million and 6.75 million, sizably up from 1956, but still well off the 7.2 million sales of 1955. Some of the reasons for conservatism: higher levels of personal debt now prevailing—higher inventories of automobiles in the hands of consumers—a probable absence of the whopping capital gains of 1954-1955, which helped stimulate sales of big-ticket items such as cars, homes, appliances.

* * *

RETAIL BONANZA? — In December, retailers generally do more than one-eighth of their total annual volume. This year, they are looking toward a Yuletide spending wave that will bring the month's volume well above $20 billion. And they are almost certainly right. Personal incomes (before taxes) should cross the $330-billion rate before Christmas employment will be virtually full, and unemployment a minimal 2,000,000; new appliance and car models will tempt the passing shopper; and attractive, liberalized credit plans will be freely offered.

and Trends

QUARTERLY STATEMENT FOR THE NATIONAL ECONOMY

In Billions of Dollars—Seasonally Adjusted, at Annual Rates

SERIES	1956 III Quarter	1956 II Quarter	1956 I Quarter	1955 III Quarter
GROSS NATIONAL PRODUCT	413.0(f)	408.3	403.4	396.8
Personal Consumption	267.0(f)	263.7	261.7	257.8
Private Domestic Invest.	64.0(f)	64.2	63.1	62.3
Net Foreign Investment	1.7(f)	1.7	0.1	0.2
Government Purchases	80.3(f)	78.7	78.5	76.5
Federal	47.2(f)	46.1	46.4	46.6
State & Local	33.1(f)	32.6	32.1	29.9
PERSONAL INCOME	327.1(f)	322.9	317.5	309.6
Tax & Nontax Payments	38.8(f)	38.1	37.3	35.9
Disposable Income	288.3(f)	284.9	280.2	273.8
Consumption Expenditures	267.0(f)	263.7	261.7	257.8
Personal Saving—d	21.3(f)	21.2	18.6	15.9
CORPORATE PRE-TAX PROFITS*	n.a.	42.9	43.7	43.5
Corporate Taxes	n.a.	21.7	22.1	22.0
Corporate Net Profit	n.a.	21.3	21.6	21.5
Dividend Payments	12.3(f)	12.2	11.8	11.0
Retained Earnings	n.a.	9.1	9.8	10.5
PLANT & EQUIPMENT OUTLAYS	36.3(e)	34.5	32.8	29.7

THE WEEKLY TREND

	Unit	Week Ending	Latest Week	Previous Week	Year Ago
MWS Business Activity Index*	1935-'9-100	Oct. 20	279.8	280.4	271.8
MWS Index—per capita*	1935-'9-100	Oct. 20	215.5	216.0	213.5
Steel Production	% of Capacity	Oct. 27	101.1	101.4	100.0
Auto Production	Thousands	Oct. 27	134	118	188
Paperboard Production	Thousand Tons	Oct. 20	276	280	292
Lumber Production	Thous. Board Ft.	Oct. 20	249	262	240
Electric Power Output*	1947-'49-100	Oct. 20	219.0	217.9	205.4
Freight Carloadings	Thousand Cars	Oct. 20	829	823	834
Engineering Constr. Awards	$ Millions	Oct. 25	550	447	295
Department Store Sales	1947-'9-100	Oct. 20	129	134	133
Demand Deposits—c	$ Billions	Oct. 17	55.6	55.3	56.3
Business Failures	Number	Oct. 25	267	254	230

PRESENT POSITION AND OUTLOOK

According to latest surveys of the Michigan Survey Center, the consumer is not as buoyantly optimistic as he was a year ago, but he is very likely to forget his accumulating worries during the Christmas buying splurge.

* * *

CONSTRUCTION FORECAST—Informed opinion now puts total construction in 1957 moderately higher than in 1956: that is, about $47 billion of work put in place, against about $44 billion this year. A large part of the rise can be accounted for by expected higher building costs. Further expansion in road expenditures is certainly in prospect, and perhaps a small further rise in the rate of school construction. However, industrial building and housing starts may lag. With the exception of materials going predominantly into highway building **the markets for building materials are likely to be even more competitive in 1957 than they have been in 1956.**

* * *

MILESTONE — In September, average hourly earnings of factory workers in the United States climbed to $2.00. In 1934, the average hourly earning figure was just a little above $.50. Of course, much of these gains are illusory since inflation has been chewing away at the dollar for the past twenty years. Nevertheless, it is the highest pay in the world today, and it is still rising at about 5% per year.

*—Seasonally adjusted. (a)—Private starts, at annual rates. (b)—F. W. Dodge, for 37 states. (c)—Weekly reporting member banks. (d)—Excess of disposable income over personal consumption expenditures. (e)—Estimated. (f)—Estimated by Council of Economic Advisors. (g)—337 non-financial centers. Other Sources: Federal Reserve Bd., Commerce Dept., Securities & Exch. Comm., Budget Bureau. (na)—Not available. (r)—Revised. (l)—First Quarter.

THE MAGAZINE OF WALL STREET COMMON STOCK INDEXES

No. of Issues (1925 Cl.—100)	1956 Range High	1956 Range Low	1956 Oct. 19	1956 Oct. 26
300 Combined Average	352.4	315.9	334.0	333.8
4 Agricultural Implements	327.1	242.1	245.3	248.6
3 Air Cond. ('53 Cl.—100)	113.8	98.8	108.8	107.8
9 Aircraft ('27 Cl.—100)	1339.7	1064.6	1268.0	1268.0
7 Airlines ('27 Cl.—100)	1117.4	919.0	939.9	950.3
4 Aluminum ('53 Cl.—100)	566.7	337.1	466.7	455.6
6 Amusements	172.3	147.2	155.0	155.0
9 Automobile Accessories	373.7	334.5	359.5	363.0
6 Automobiles	52.2	47.1	49.7	50.2
4 Baking ('26 Cl.—100)	28.7	261	26.1	26.4
3 Business Machines	1171.3	831.5	1046.1	1046.1
6 Chemicals	652.3	556.5	580.4	574.5
4 Coal Mining	23.7	19.2	23.1	23.7H
4 Communications	114.3	98.6	99.7	98.6
9 Construction	140.0	112.3	130.4	131.6
7 Containers	853.7	731.7	800.3	800.3
7 Copper Mining	361.3	283.7	319.5	304.6
2 Dairy Products	122.3	111.7	111.7	111.7
6 Department Stores	92.8	85.3	92.8	92.8
5 Drugs-Eth. ('53 Cl.—100)	198.3	165.0	180.8	184.3
6 Elec. Eqp. ('53 Cl.—100)	222.7	178.9	209.9	209.9
2 Finance Companies	613.7	530.3	548.1	548.1
6 Food Brands	301.6	278.2	281.1	278.2
3 Food Stores	176.9	157.6	176.9	176.9

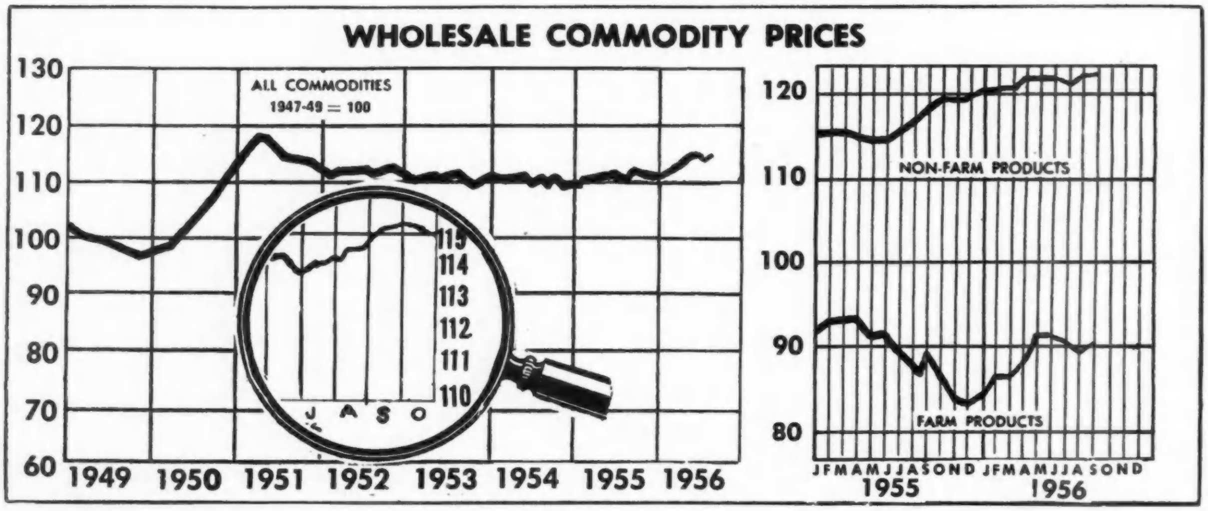
(Nov. 14, 1936 Cl.—100)	High	Low	1956 Oct. 19	1956 Oct. 26
100 High Priced Stocks	244.6	209.2	228.3	228.5
100 Low Priced Stocks	411.1	378.9	388.2	388.9
4 Gold Mining	882.7	682.5	682.5	697.3
4 Investment Trusts	171.2	150.8	155.5	157.1
3 Liquor ('27 Cl.—100)	1076.2	974.7	1035.6	1025.5
9 Machinery	490.0	370.4	470.7	470.7
3 Mail Order	217.3	184.4	188.8	186.6
4 Meat Packing	170.7	127.7	143.8	138.4
5 Metal Fabr. ('53 Cl.—100)	213.2	183.3	198.2	196.4
10 Metals, Miscellaneous	464.9	400.4	409.0	400.4
4 Paper	1312.3	997.3	1070.8	1081.3
22 Petroleum	872.3	675.8	775.4	782.3
21 Public Utilities	264.0	246.4	248.9	248.9
7 Railroad Equipment	95.1	84.3	86.1	86.1
20 Railroads	82.0	69.8	74.4	73.6
3 Soft Drinks	544.8	439.0	444.3	439.0L
12 Steel & Iron	361.8	283.8	355.6	355.6
4 Sugar	72.9	60.1	71.1	72.9H
2 Sulphur	950.2	785.8	494.9	494.9
11 Television ('27 Cl.—100)	44.5	35.8	36.2	36.2
5 Textiles	184.4	143.8	145.E	147.5
3 Tires & Rubber	201.0	169.9	179.0	182.7
5 Tobacco	96.7	86.3	88.2	87.2
2 Variety Stores	298.8	272.7	272.7	275.6
15 Unclassif'd ('49 Cl.—100)	164.2	144.8	153.8	152.3

H—New High for 1956. L—New Low for 1956.

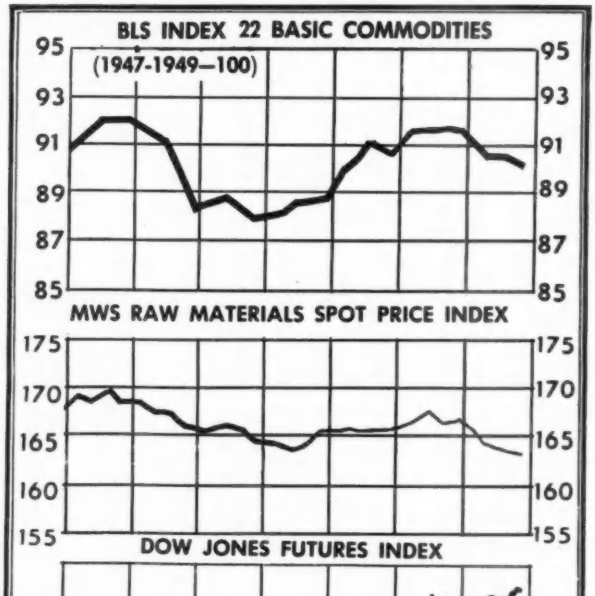
Trend of Commodities

SPOT MARKETS — The breakout of Israeli-Egyptian hostilities on October 29, brought in heavy buying of many commodities the next day and strong price rises for such items as copper, rubber, tin, cocoa and soybeans. The sudden upward spurt at month-end was a sharp reversal of the trend during most of October, when many sensitive commodities were heading downward. Thus the Bureau of Labor Statistics' index of 22 sensitive commodities lost 1.8% from the end of September through October 29. The index has now turned upward and the near-term trend of commodity prices will depend greatly on developments in the new conflict. For the somewhat longer term, however, if the Middle East conflict remains localized, then heavy output and supplies of most commodities will continue to exert pressure on prices.

FUTURES MARKETS — Many commodity futures advanced strongly in the two weeks ending October 30 and the renewal of hostilities in the Middle East reinforced this trend. Wheat prices continued to improve and the May option added 4¾ cents in the two weeks ending October 30. The Polish and Hungarian revolts against Russian domination were important factors in the rise, as they enhanced the possibility of economic assistance to these countries, in which grain shipments would play an important part. On the domestic front, drought conditions continue in large parts of the wheat belt and recent rains have done little to alleviate the situation. Farmers have placed more than 10 million acres of wheat in the Soil Bank program and this coupled with foreign developments should mean still higher prices for wheat.



BLS PRICE INDEXES 1947-49—100	Date	Latest Date	2 Wks. Ago	1 Yr. Ago	Dec. 6 1941
All Commodities	Oct. 23	115.0	115.0	111.6	60.2
Farm Products	Oct. 23	88.2	88.0	86.8	51.0
Non-Farm Products	Oct. 23	123.0	123.0	119.0	67.0
22 Basic Commodities	Oct. 29	90.1	90.5	88.6	53.0
9 Foods	Oct. 29	80.1	80.8	77.2	46.5
13 Raw Ind'l. Materials	Oct. 29	97.6	97.8	97.3	58.3
5 Metals	Oct. 29	122.6	124.0	117.3	54.6
4 Textiles	Oct. 29	81.4	81.2	79.7	56.3



MWS SPOT PRICE INDEX
14 RAW MATERIALS
1923-1925 AVERAGE—100

AUG. 26, 1939—63.0 Dec. 6, 1941—85.0

	1956	1955	1953	1951	1945	1941
High of Year	169.8	164.7	162.2	215.4	98.9	85.7
Low of Year	163.1	153.6	147.9	176.4	96.7	74.3
Close of Year		164.7	152.1	180.8	98.5	83.5

DOW-JONES FUTURES INDEX
12 COMMODITIES
AVERAGE 1924-1926—100

	1956	1955	1953	1951	1945	1941
High of Year	161.4	173.6	166.5	214.5	106.4	84.6
Low of Year	149.8	150.7	153.8	174.8	93.9	55.5
Close of Year		153.1	166.8	189.4	105.9	84.1

Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET *will* answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. The service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject to the following conditions:

1. Give all necessary facts, but brief.
2. Confine your requests to *three listed securities* at reasonable intervals.
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope.*
4. No inquiry will be answered which is mailed in our postpaid reply envelope.
5. Special rates upon request for those requiring additional service.

International Minerals & Chemical Corp.

"I have been a subscriber to your magazine for a number of years and find it very interesting and valuable. Would appreciate receiving recent information on International Minerals & Chemical Corp." C. J., Worcester, Mass.

International Minerals & Chemical Corp. is a prominent factor in the fertilizer industry. It is the largest producer of phosphate rock and a leading potash producer. Sulphuric acid capacity is large. It also makes industrial minerals sold mainly to the pottery, glass and construction industries. It also is a pioneer and leader in the amino products field.

International Minerals & Chemical Corp. net earnings after taxes, for the fourth quarter of its fiscal year ended June 30, 1956, were $2,371,483, equivalent to 97 cents a share, on 2,337,257 shares of common stock outstanding at the end of June, 1956. These earnings were 23% higher than the net earnings for the fourth quarter of the previous fiscal year, on 2,327,637 shares of common stock then outstanding.

Net sales of the corporation for the fourth quarter ended June 30, 1956, amounted to $30,422,955, an increase of 12% over the $27,096,753 for the fourth quarter of the previous year.

Net sales of the corporation for the fiscal year ended June 30, 1956, were $96,626,799, a slight increase over the previous all-time high of $96,485,017 for the preceding fiscal year.

Net earnings after taxes for the fiscal year ended June 30, 1956, totaled $5,401,723, equal to $2.14 per share of common stock, compared with $6,321,903 for the previous fiscal year, or $2.55 per share of common stock then outstanding.

Operation for the past fiscal year was an abnormal one primarily because of the industry-wide strike in the Florida phosphate fields which began June, 1, 1955, and continued through the entire first quarter ended September 30, 1955.

Other factors which affected operations were uncertainties regarding agricultural legislation, lower farm income, and a late spring in important farm areas.

With labor conditions settled and most of the burden of new plant start-up expense finished, the company feels there is a favorable opportunity in the coming year for resumption of the upward trend of sales and profits.

Current quarterly dividend is 40 cents per share.

Earnings per share of common stock for the three months ended September 30, 1956, were 22 cents on the 2,337,257 shares outstanding, compared with a loss of 41 cents per share on 2,329,887 shares outstanding September 30, 1955.

Colorado Fuel & Iron Corp.

"As a subscriber to your magazine, I am interested in securing recent facts in regard to Colorado Fuel & Iron Corp. I would appreciate any and all recent information on the above that you have. Thank you for your cooperation."

B. R., Elmira, N. Y.

Colorado Fuel & Iron Corp. is an integrated producer and principal markets are in an area where no large competitive mills exist. The company has improved its basic position substantially in recent years.

Sales of Colorado Fuel & Iron and its subsidiaries for the fiscal year ended June 30, 1956, increased 33% from the previous year to reach an all-time high of $341,630,224. Sales for the previous fiscal year were $257,543,050.

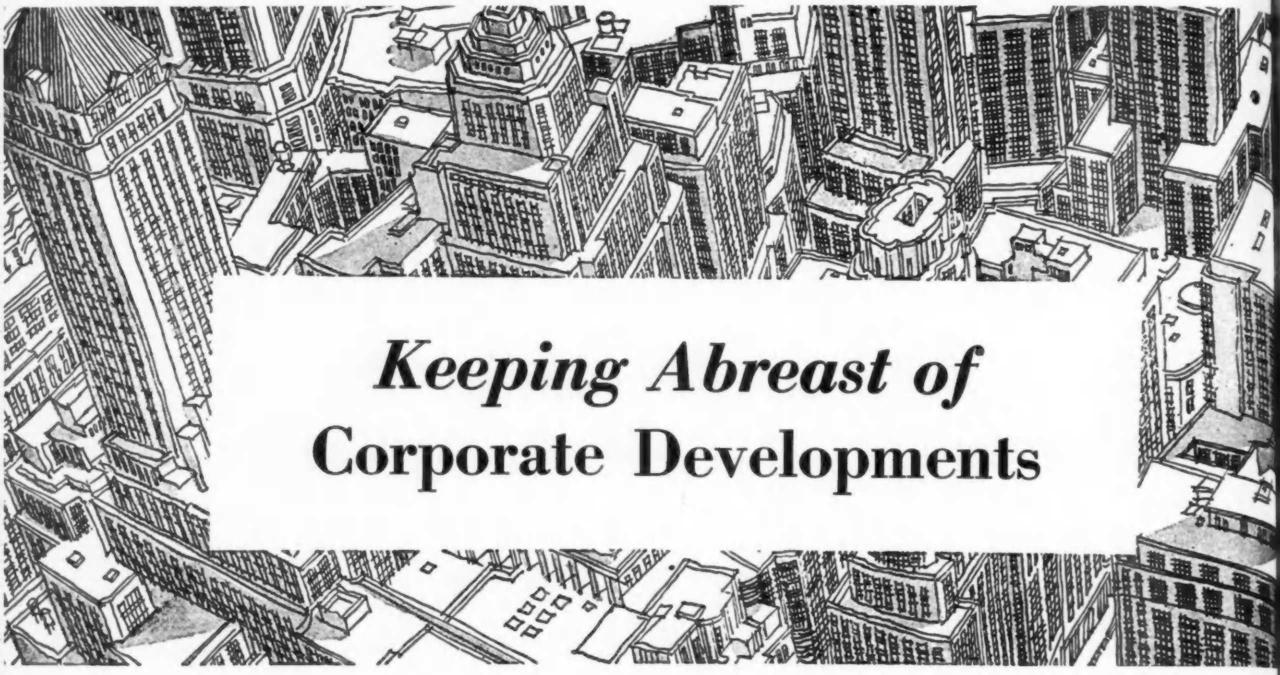
Net income of $16,662,653 for the 1956 fiscal year represented an increase of 53% over the $10,887,163 reported for 1955.

The 1956 net income was equivalent to $4.74 per share on the 3,383,559 outstanding shares of common stock. For the preceding year, net income was equivalent to $3.79 per share on the 2,705,671 shares outstanding at that time.

The company expended $26,431,552 during the 1956 fiscal year for its accelerated program of modernization and expansion, with special consideration being given to the Eastern plants. In the preceding fiscal year $11,217,143 was expended on the program.

Capital expenditures during the year were largely concentrated in the company's Eastern division plants at Buffalo, N. Y.; Claymont, Del.; Palmer, Mass.; and at the Roebling and Trenton, N. J., plants of the John A. Roebling Sons Corp., a subsidiary. Major constructions at the Eastern plants had been held back until the 1956 fiscal year, when benefits obtained from the recent

(Please turn to page 227)



Keeping Abreast of Corporate Developments

Money may be tight, competition may be keen and profits pinched, but there is no dearth of optimism in corporate quarters. This is evident from recent pronouncements of company executives. Thus:

Food Machinery & Chemical Corp. sales will be up about 12% for this year, although earnings will be only slightly better than a year ago, according to Ernest Hart, president. Major non-recurring expenses, particularly in the third quarter, were given as major reason for the decline in profit margin. Sales for 1956 are estimated at $300 million. Mr. Hart expects a similar growth in sales for 1957. Also, much better profit margins are anticipated. Sales of agricultural chemicals, such as insecticides, continued in large volume this year, but these items have a low profit margin. Sales volume is about 45% in chemicals, 38% machinery and 17% military contracts. Earnings last year equaled $4.55 a common share.

Campbell Soup Co. which has record sales of $429,841,000 in the fiscal year that ended July 31, is expected to surpass that figure in the current year, which is little more than three months old. William B. Murphy, president, is hopeful that earnings also will rise. In the year that ended July 31, 1956, net profit amounted to $29,240,000, or $2.74 per share. Campbell contemplates expenditure of about $30 million for new construction and modernization of its plant in the current fiscal year and expects to finance this record program internally. The company also plans to increase outlays for agricultural and marketing research and product development. As for the stockholders, it appears they will have to be satisfied with the $1.50 annual dividend rate for some time to come. Campbell pays out slightly more than half of earnings in dividends. Record developmental and expansion costs would appear to bar the way to any change in the payout in the foreseeable future. Moreover, Campbll, like hundreds of other companies, must cope with increased costs. In the 1956 fiscal year, the company brought down to net 6.8 cents of the sales dollar, compared with 7.7 cents in the preceding year.

National Distillers Products Corp. earnings this year will be between $20 million and $21 million. In making this forecast, John Bierwith, president, said the earnings estimate is somewhat higher than had been predicted a year ago for 1956 profits. Moreover, Mr. Bierwith said the company would be disappointed if earnings in 1957 didn't reach $25 million and by 1958 about $30 million. By the end of 1958 it is expected that chemical operations of this old-line distiller will provide profits at the rate of $17 million to $18 million per year. In 1955 National Distillers earned $15,514,000, or $1.60 a common share. In the first nine months of this year net profit was $14,517,000, or $1.54 per share, compared with $10,814,000 in the corresponding period of 1955. The chemical division, in the first nine months of this year, produced 36% of the operating profit of the company. This compares with 7% in 1955. The sharp increase was due to expanded operations in the division. National Distillers is expected to boost prices of its whisky products in the near future.

C. I. T. Financial Corp. earnings for 1956 will show little change from the $4.05 per share registered in 1955. This is the forecast of Arthur O. Dietz, president, who also disclosed that the company's lending volume for the first nine months of this year totaled $3,596,000,000, compared with $3,969,000,000 for the similar 1955 period. Loans outstanding at September 30 this year rose to $1,943,000,000, from $1,742,000,000 a year earlier. A large part of C. I. T. volume is with automobile dealers and the ultimate car purchasers. So far this year, its volume of dealer financing has declined 21% and lending to auto purchasers has (*Please turn to page* 220)

Atomic Energy

(*Continued from page* 181)

Further, Russia's industrial machine is certainly now centered upon munitions to cope with rebellion—not upon A-power reactors.

It was pointed out that Europe's power position, because of hydro-electric development, coal shortage and oil troubles, is approaching the point of desperation. The free nations of Europe cannot survive without power. True, they can exist for some years, but progress is debarred. The halt of progress means stagnation. Stagnation leads to atrophy, atrophy will be followed by death.

Thinkers of the United States—in and out of public life—have long felt that a United States of Europe is an economic as well as military necessity. The Suez crisis gives the belief substantiation. The Polish-Hungarian revolts point up the military angle.

Officially, the State Department has never formally advocated a European union in the shape and form of a United States of Europe. This, however, has long been a basic wish of the Department. It was conceived even before we commenced handing out of over $50 billion for Europe's economic salvation and a military build-up against Red aggression. Elsewhere, it was the basic concept when EURATOM came into being—EURATOM meaning co-operation between this country and Europe in peaceful applications of A-power.

Admittedly, and to the distaste of European nationalists, EURATOM and the plan of Agreements of Co-operation are the components of a political plan. EURATOM would be a "supranational" institution designed to prod Europe along the road to federation.

Top European government personalities are convinced there must eventually be a United States of Europe. None, however, has openly espoused the idea. The necessity is seen, but "the man in the street" has to be considered and dealt with. He must be convinced too.

Fed on centuries-old jealousies, hatreds and suspicions, the average European is skeptical of the efficacy or need for a USE. He sees it as an evil thing to work for the aggrandizement of larger units or such a federation. The public official who would openly advocate a USE, with all power centered in an overall Parliament, might quickly find himself atop the political scrap pile. This calls for fearless leadership, bolstered by adroit salesmanship on the part of European statesmen in position to be heard—and trusted—by their constituencies.

As the European statesmen find themselves confronted with a "job of selling," our State Department, the President, and the Congress, face an identical situation. Salesmanship of the highest type, leavened with adroit diplomacy, confronts the United States. Government leaders of Western Europe are free of distrust or dislike of our country.

On the other hand, the rank-and-file citizens of Western Europe distrust us. Our motives are suspect. We are disliked to the point of hatred. This the writer knows from a recent visit to Europe. It is ever the lot of the rich relative, no matter how generous he may be in alleviating the distress of his less fortunate kinfolk.

It would be impossible for the United States to say, bluntly, to the European nations:

"Unite, or we won't help you with our A-power or our money."

Such an ultimatum would shatter all hope of a USE. We can, however, through smart "selling" to the European peoples, convince them their salvation lies in a United States of Europe.

Such a federation would be assured of our support—moral, financial and technical. END

World In Transition

(*Continued from page* 193)

gration), it turned out that Germany apparently was opposed to *Euratom*, the proposed common atomic energy agency, and France wanted special privileges in the proposed Common Market set-up. Germany's opposition stems from the unwillingness of her industrialists to turn all purchasing of nuclear material over to a regional authority on which individual countries and firms could then draw for their own nuclear needs.

France's fear of losing out under a Common Market system is based on her high domestic price level, her costly social-security services and the financial burden of the Algerian war. All of these have caused France to protect her economy by tariff walls and by special taxes on imports. Under the proposed timetable for the Common Market, she would have to drop many of these protective devices within four years after the plan comes into existence. French Government officials feel this would wreck the economy.

Thus, the impetus recently given to the idea of European integration by Britain's conditional promise to join it has now become somewhat dissipated by the new difficulties encountered even among the original advocates of the plan. This does not mean integration is dead, but it does mean a long and arduous process of negotiations whose outcome will depend on how much of the give-and-take spirit which characterized the Saar settlement will be put into them. —END

For Profit and Income

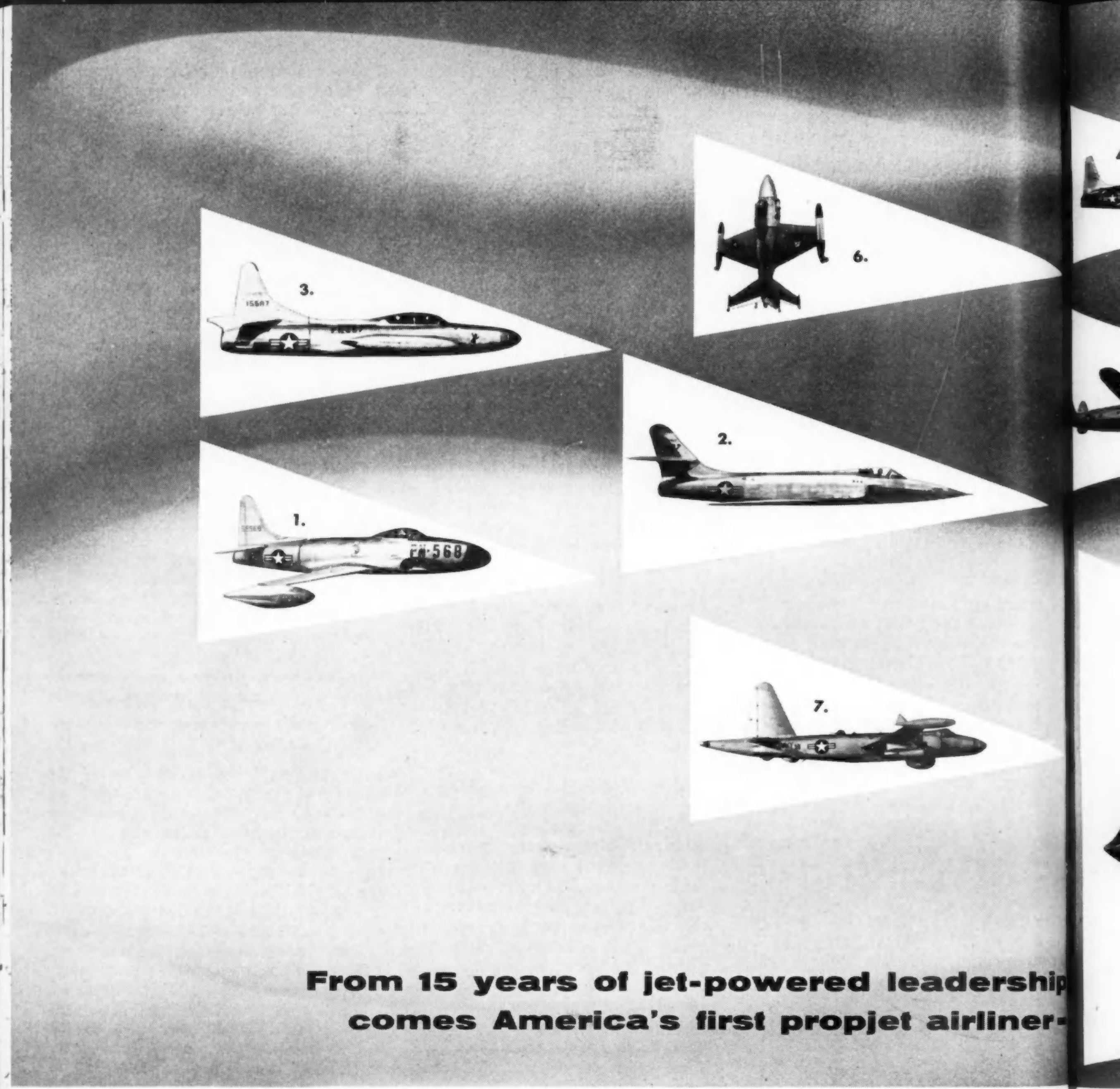
(*Continued from page* 209)

er 1957-1958 earnings, and resultant increased dividends, is among the most solidly-founded in the machinery industry.

Another

Large expansion of steel- making facilities is scheduled over the next several years. Mesta Machine is the biggest maker of steel-mill machinery, and holds a good position in other heavy machinery. The order backlog at the start of 1956 was over $91 million, equal to around 21 months of sales at the 1955 rate, against less than $30 million a year earlier. It is unquestionably much higher now. So the problem is not sales, but production. Helping to solve it, a large Government-owned plant at New Castle, Pa., formerly leased to United Engineering & Foundry, was acquired last April. Despite the start-up costs on this plant, 1956 earnings should be around $4.50 a share, against 1955's $3.65. Large 1957-1958 gains are promised. Continuous since 1914, dividends are now on a $3 basis, including a 50-cent extra paid last January. Increased payments appear to be only a matter of time. At 57, yielding

(*Please turn to page* 220)



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The LOCKHEED ELECTRA's *heritage of jet-powered leadership—gained from the design and manufacture of over 8,000 jet-powered aircraft of the widely varying types shown here—endows this pace-setting plane-of-tomorrow with qualities that will give you a thrilling, new way to travel in the jet air age.*

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Unexcelled for short-to-medium range flights, the LOCKHEED ELECTRA brings the advantages of jet age air travel to all of the people, of all cities, everywhere—with commuter-like timetables affording travelers a wide choice of flights.

Now in production, the LOCKHEED ELECTRA starting in 1959 will go into service for American, Braniff, Eastern, KLM-Royal Dutch, National, Western and other leading domestic and foreign airlines—extending Lockheed's jet-powered leadership around the world.

For Profit and Income

(*Continued from page* 217)

nearly 5.3%, the stock has merit well above average.

Gulf Oil

Crude oil production in Kuwait is highly important to this company. Middle East uncertainty principally explains why the stock is now at 112, against earlier high of 147½. However, there is this to be said: (1) Gulf is outstandingly aggressive in expansion in this country, Canada and Venezuela. (2) About half of likely 1955 net of over $10 a share, against 1955's $8.19, derives from secure Western Hemisphere sources. The stock is selling at about 20 times these earnings. That is not out of line with price-earnings ratios of some of the most highly regarded domestic oils, for instance about 21 times for Continental Oil and 23 times for Amerada. So, in effect, earnings from Kuwait have been largely written off by the market. (3) Britain has vital interests in Kuwait. Because of its small size and accessibility, Kuwait, in a showdown, would be the one oil source Britain would be most determined to hold by force, and the one most readily held against any opposing force other than Russian—and in this case Russia would have to fight, rather than merely bluster and supply Arab arms. Allowing also for domestic gasoline price uncertainty, this is not the time to buy oils. But neither is it the time to be overbearish on Gulf Oil, even though disturbing Middle-East news (in the headlines at this writing) could put it lower.

Values

For conservative income accounts, some sound values — all offering satisfactory to generous yields from secure dividends — are: American Chicle, Duquesne Light, National Dairy Products, Pacific Lighting, Reynolds Tobacco and Southern Natural Gas.

END

Keeping Abreast

(*Continued from page* 216)

fallen nearly 12%. The company has been increasing its own charges to counteract the higher cost of money. Mr. Dietz has forecast a rise of 10% in 1957 automotive sales. A million C. I. T. customers last year paid off their final car instalment and this year another 920,000 paid off C. I. T. loans on their cars.

International Harvester Co. will report lower earnings despite a small increase in sales for the fiscal year that ended October 31. Peter V. Moulder, president, has said sales would add to about $1,250,000,000, compared with $1,165,785,000 in the preceding fiscal year when net profit was $55,501,000. Mr. Moulder is optimistic about the year ahead, calculating sales of International Harvester will rise anew (on the order of 10%), helped by business related to the highway construction program.

Aluminium, Ltd. estimated earnings for the third quarter totaled $18 million, a sharp rise from the $13.6 million a year earlier. N. V. Davis, president, attributed the upsurge to improved production factors, strong demand and higher world prices for aluminum this year. Earnings in the first and second quarters of this year, when the company was beset by water-shortage problems, were $10.4 million and $14.3 million. He said that while supply and demand currently were in balance, "the trend in demand in the year ahead appear to us as continuing strongly upward." The water situation at the company's Quebec hydroelectric plant and its storage reservoirs now is "very satisfactory" and the Quebec smelters are operating at capacity. Its Kitimat facilities in British Columbia now are contributing to Aluminium's earnings. The company is receiving increased production for the new smelter facilities coming into operation at Kitimat. With these increases, Aluminium's primary aluminum production in Canada in the third quarter was at an annual rate 100,000 tons greater than in the corresponding period of 1955. END

The Supermarkets

(*Continued from page* 199)

which pulls Safeway's annual sales that much closer to the $2 billion mark.

This steady uptrend extending over a long stretch of years, while attributable in part to an increasing population and a rising income level, also reflects the dynamism of the industry. True enough, competition is keen but it is this that keeps the business from becoming static. Managements, constantly alert to changing times, hold themselves in readiness to adopt new merchandising techniques and provide the services looked for in the supermarket by the buying public. At the same time, by cutting distribution costs, by narrowing wholesaler-retail margins, the supermarket chains are creating greater markets, increasing volume and materially improving over-all profits.

Transition to General Stores

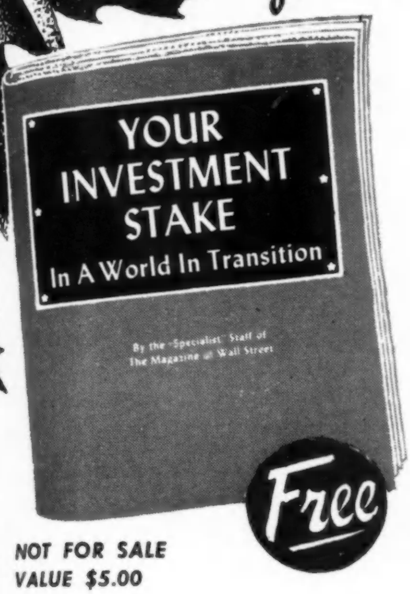
Another feature in the growth of the supermarket has been the introduction of non-food merchandise. This began a few years back, when a number of stores stocked shelves with toiletries and related articles with the result that practically all the supers followed suit. Since then the idea of diversification has extended to stationery, toys, hardware, houseware, and garden tools and supplies. All this appears to be but the forerunner of things to come, meaning the gradual transition of the supermarket into a general store along the same lines of the recently opened Grand Union unit at Keansburg, N. J., which stocks such non-food items as cameras, costume jewelry, records, household appliances, rugs and furniture, notions, rugs, furniture and certain lines of wearing apparel.

The chain food-store companies, looking ahead, have mapped plans for more and bigger supermarkets. This is merely extending the trend that set in five or six years ago. Then the largest of these units provided about 15,000 square feet of floor space, but this size area was soon to increase to 20,000 square feet or slightly more.

Now the "supermarket of tomorrow" is being laid out to contain 50,000 square feet. The first unit of this size already is in operation, having been opened by Grand Union on October 24, this year, at East Paterson, N. J. Scheduled for opening next is a 13-acre distribution center in Mt. Kisco, N. Y.

(*Please turn to page* 222)

Extra Help for 1957



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- **Diversified Portfolio for Investment of: $10,000; $25,000; $50,000**

The Supermarkets

(*Continued from page* 220)

When put into operation some time next spring, this center is expected to employ about 360 people and handle weekly volume shipments of more than 8,000 tons of merchandise for Grand Union stores in New Jersey, New York and nearby states. Other plans of the company include the establishing of approximately 20 ultra-modern supermarkets in New York's Westchester County and 26 additional units in other communities, including several in Connecticut.

Grand Union Progress

Last year, which ended March 3, 1956, Grand Union's sales increased to $283 million. This was $63.6 million greater than in the preceding year and resulted in net income of $3,584,125, equal to $1.90 a share, compared with the previous year's net income of $2,872,273, equivalent to $1.54 a share, adjusted for the 2-for-1 stock split effective in May, 1955. In the first six months of the current year, net income was equal to $1.13 a share which points to another substantial gain for fiscal 1957. Currently, dividends on the stock are being paid at a 15-cent quarterly rate. This appears to be a conservative payout considering demonstrated earning power but, in view of the company's expansion plans, it is not expected that there will be any immediate upward revision. Shareholders early this year received a stock dividend of 5% and it is believed probable that a similar distribution will be made early in 1957. The stock presently selling around 31, 5½ points under its 1956 high, appears to be worth holding for its growth potential.

First National's Growth

First National Stores, moving along somewhat similar lines of other leaders in the industry, has concentrated on opening modern stores or completely remodeling or enlarging older units to keep them abreast of the most modern standards in appearance, size and quality of service. It closed its fiscal year, which ended last March 31, with 331 supermarkets in operation, 44 of which were either entirely new, or modernized and enlarged. In addition it had 330 other stores in operation, some of which, under its expansion program, will be closed entirely, with 25 new supermarkets in the current fiscal year being opened, carrying out the emphasis on larger stores with spacious parking areas. Several of the newer units are in territories, including fast-growing Nassau County on Long Island, where First National has not heretofore been represented. Capital expenditures which have continued at a high level for some time, amounting to more than $10 million in the last fiscal year, have been financed from provision for depreciation and from retained earnings. As at the last year-end, First National had no outstanding loans and its only stock issue consisted of 1,655,268 outstanding shares of common stock.

Sales last year of $491.6 million, a record high, marked the sixth consecutive year of increasing sales, dollar volume moving up from $344.1 million for fiscal 1950. Although First National releases no interim sales figures, business in the first quarter, ended June 30, was said to have run ahead of the corresponding quarter of last year. Net earnings for the first three months of the current year increased to $1.24 a share from $1.17 a year ago, indicating further gains through the remaining months that should carry full year's net income well above $5 a share, compared with $4.93 for fiscal 1956.

In view of continued expenditures for new supermarkets, and the modernization and enlargement of other units, dividends on the stock probably will be held to the current rate of 50 cents quarterly, plus the 40 cents extra that was distributed in each of the past two years. The stock, currently priced in the market at 51, is selling to yield 4.7% and is worth retaining for reliable income return and long-term improvement in earnings and dividen.

Kroger Stresses New Stores

The Kroger Co., concentrating on closing its older, less efficient stores and opening modern supermarkets as replacements, also has put emphasis on new stores, ranging from 15,000 to 24,000 square feet of floor space, with large parking areas and annual sales of $1,250,000 and more. Pursuing this policy, Kroger, last year, closed 263 stores of the older type, remodeled 55 others and opened 93 new stores. In addition, it acquired by cash purchases three supermarket chains operating a total of 82 supermarkets doing an average annual business of from $1.2 million to as high as $2.8 million each.

These acquisitions, together with the higher dollar volume of Kroger's remodeled and new supermarkets, pulled up sales last year to an all-time peak of $1,219,000,000, an increase of $110,700,000 from the previous year, and almost three times the 1945 volume of $463.4 million. Earnings for 1955, however, were adversely affected by a nine-week strike which closed 52 stores in the St. Louis metropolitan area and this, along with a $1.2 million increase in Federal income tax, brought net income down $14.3 million. This was equivalent to $3.88 a share, compared with the previous year's $14.9 million, or $4.04 a share.

With sales of $1,122,000,000 for the 40 weeks to October 6 and improved profit margins stemming from increased efficiency through new facilities for servicing stores in various areas, net income for this period amounted to $3.56 a share. This showing provides a base for estimating 1956 total earnings of close to $4.90 a share.

Kroger, looking ahead to a sales goal of at least $2 billion annually, had planned capital expenditures this year of $40 million for new warehouses and 150 new stores. It expects to follow this program with capital expenditures of about $46 million in 1957 for additional warehouses and other facilities and the construction of 150 more new supermarkets. In order to carry out its improvement and expansion plans, it may resort to some new financing, possibly some time in 1957, through offering of a debenture issue.

Earnings provide good coverage for the regular 50-cent quarterly dividend which, on the current market price of the stock, yields a return of 3.77%. This does not take into consideration the 4% stock dividend payable

(*Please turn to page* 224)

(ADVERTISEMENT)

A Special Report To Stockholders Of Avco Manufacturing Corporation

(The following is the text of a letter from Victor Emanuel, chairman and president of Avco Manufacturing Corporation, to stockholders of the company.)

To the Stockholders of Avco Manufacturing Corporation:

In this letter I want to tell you about certain steps your management has taken which are of great importance to the operations and earnings outlook of your company.

To strengthen its earning potential, the company has arranged to eliminate certain unprofitable operations and to devote its resources to its profitable and rapidly expanding commercial, industrial, defense and broadcasting operations.

In furtherance of this policy, Avco's Crosley and Bendix Home Appliance Divisions, on November 30, will discontinue their appliance, radio and television set businesses, which have shown substantial losses.

Your company's financial condition is strong. Currently, the company is operating on a profitable basis, expects to continue to do so, and barring unforeseen developments anticipates resumption of common stock dividends before the end of 1957.

★ ★ ★ ★ ★

As of August 31, 1956, total balance sheet resources amounted to approximately $184,000,000 after deducting a consolidated operating loss for the nine months ended August 31 in the amount of $3,499,529, equal to 41 cents per share, and after making a provision of $16,000,000 as a reserve for losses which may be subsequently sustained as a result of the discontinuance of the appliance, radio and TV lines. Approximately one-half of such losses as are incurred are recoverable as tax credits against future earnings.

The company has total current assets of $154,000,000, of which $65,000,000 is in net working capital. Cash plus receivables and inventories under defense contracts alone are substantially in excess of the company's aggregate short and long term borrowings.

The defense operations, which constitute an important segment of Avco's business, will have a backlog at the end of the current fiscal year estimated at $340,000,000, an increase of 70 per cent over that of a year ago.

Negotiations are being concluded with a major appliance manufacturer for the sale of the Bendix home laundry business. Announcement of the conclusion of these negotiations is expected within 30 days.

★ ★ ★ ★ ★

The decision by Avco to discontinue Crosley and Bendix consumer products is the outgrowth of an industry-wide situation. Since 1953 competition in the major home appliance and radio-television set business has become increasingly severe. The appliance industry is plagued with large over-capacities and has been rampant with price-cutting despite rising costs of labor, material and most other items that enter into the business. As a consequence a large number of manufacurers has withdrawn from the field.

Your management has given the closest attention to this situation. It has carefully weighed whether future possibilities would warrant the large expenditure of capital funds necessary to meet competition by investing in very large new plants with a high degree of automation. The decision has been not to do so, because of the substantially more promising outlook in other parts of our business.

Capital and manufacturing facilities which will be released will permit an acceleration of the growth and earning capacity of the company's industrial, commercial and defense operations, and broadcasting business, which have made continuing progress. Profits from these operations, however, have been obscured in consolidated earnings, due to the increasingly severe losses from operations which are now being eliminated.

★ ★ ★ ★ ★

During the past year Avco has made rapid advancement in the fields of electronics, gas turbine engines and in research and development. The latter field in particular has assumed major importance in the company's affairs, although for security reasons its full accomplishments cannot presently be set forth.

The Avco Research and Advanced Development Division, established only two years ago, is operating on a profitable basis. It has grown to more than a thousand professional and supporting personnel. This division, which includes some of the nation's foremost scientists and engineers, has made significant progress in projects relating to the intercontinental ballistics missile and other programs. The division is now recognized as the greatest center in the free world for shock tube experiments, used as a basis for developing hypersonic missiles. Plans are under way for expanding the scope of research activities, the results of which already constitute a sound basis for increasing the future earnings of civilian as well as defense business, particularly in fields with outstanding growth potential.

★ ★ ★ ★ ★

Avco's Lycoming gas turbine engine for helicopters and fixed wing aircraft, the first of its type to be developed in this country, has successfully passed initial tests, including flight tests, and tooling for production now is under way. Significant improvements have also been made in Lycoming's piston type engines, widely used in small aircraft and helicopters. Within the past year extensive retooling has been made for Lycoming's line of industrial engines, used principally in the construction and farm equipment industries.

The Crosley Division during the past summer was awarded contracts totalling $45,000,000 for bomber fire control systems. The division is also engaged in the growing fields of radar, communication, instrument landing, navigation and transistorized equipment, as well as air frame components and assemblies. Of the corporation's total defense backlog, the Crosley Division has approximately $93,000,000, equal to a year and a half of production at the division's current operating rates.

★ ★ ★ ★ ★

The Crosley Broadcasting Corporation, a wholly-owned subsidiary, which operates four VHF television stations in Cincinnati, Dayton, Columbus and Atlanta and rado station WLW, "The Nation's Station" in Cincinnati, continues with highly satisfactory operating results. Its future outlook is favorable.

Sales of farm equipment produced by the New Idea and Ezee Flow Divisions declined in the past year, but less than the industry average. As farm income and expenditures increase this division is expected to become an increasingly important factor in Avco's diversified operations. New farm implements now under test are scheduled for introduction to the market in 1957 and 1958 to supplement the present New Idea product line.

The American Kitchens Division will continue its business of manufacturing and distributing steel sinks, cabinets and dishwashers, in which profit outlook is more promising, and plans are under way to increase the division's participation in defense production.

Moffats Limited, our Canadian subsidiary, will continue its business in ranges, commercial cooking equipment, laundry and refrigeration appliances, cabinets and heating equipment.

★ ★ ★ ★ ★

I know that many of you as owners of Crosley and Bendix appliances will wish to know of our plans for continuation of service and availability of parts. I can best answer this by quoting from a letter which Mr. Chester G. Gifford, president of our Crosley and Bendix Home Appliances Divisions, recently sent to our distributors:

> "We are very conscious of our responsibilities for warranties on all of our products, and can assure you and all of our customers that adequate provisions will be made for the continued availability of parts and service in a manner comparable to that which has been carried on in the past."

In closing, I would like to thank each of you, on behalf of your management, for your loyalty and support.

Very sincerely yours,

Victor Emanuel

October 30, 1956

Chairman and President

The Supermarkets

(*Continued from page* 222)

December 10 to stock of record October 19. The dependable cash dividend and long-term potential for growth through the vigorous expansion program warrant retention of the shares.

Safeway Gains Impressive

Safeway Stores, one of the largest of the food chains, sales last year running substantially over $1.9 billion, recorded outstanding gains in both sales and earnings so far in 1956. For the 40 weeks to September 8, its dollar volume of $1,516,000,000 increased by 2.3% over the $1,481,000,000, in the comparable period of last year. The gain in earnings for the 36 weeks to September 8 was far more striking, net income for this period amounting to $16.4 million which, after preferred dividends, was equal to $4.18 per common share. This is in contrast with $7.9 million, or $1.81 per common share, earned in the first 36 weeks of last year.

Safeway's substantial earnings gain so far this year can be attributed to several factors. Management changes effected late in 1955 have been followed by the adoption of new policies including, in common with other leaders in the industry, greater decentralization of operations, thus providing greater flexibility to meet competition in various areas. It also has taken a more realistic stand in meeting trading-stamp competition. Instead of contending with this form of competition by cutting prices while at the same time carrying out high-cost advertising programs, it decided to meet the opposition on the same grounds by offering trading stamps in some areas or offering premiums in exchange for cash register receipts.

Meanwhile, Safeway continues to expand its string of supermarkets. During the first 24 weeks of the current year, it opened 44 retail stores in the United States and four retail units in Canada. As the month of June drew to a close, it had under construction 43 more retail stores, incorporating the newest in store design, interior layouts, material-handling, sales methods and distribution, under construction. On top of this, plans and specifications for 29 more stores, which should be completed before the end of this year, were out for bids. Part of its expansion program calls for capital expenditures of $10 million in the Rocky Mountain region alone for the construction of 31 stores over a three-year period. Included in this program are new stores in Denver and other Colorado communities, with others in Nebraska, Wyoming and New Mexico.

The immediate outlook indicates earnings for all of 1956 at slightly more than $5 per common share, although the final figure for the year depends upon how much of the $4.30 preferred stock has been converted, since January 1, into common. The latter issue, reflecting the upsurge in earnings, has risen in market price to a recent high of 70⅜, an almost 20-point improvement over the year's low of 50⅝. Since then, the issue has backed off to a present price around 68. At this price, the dependable $2.40 annual dividend returns a yield of 3.5%. We would continue to hold for income and further improvement over the long-term. —END

Resourcefulness Overcomes The Depletion of Resources

(*Continued from page* 187)

Toronto, O., for conversion into the first specialized facility for rolling and forging titanium. First items from the plant will be special forged billets for jet engines and heat-treated alloy sheets for jet fighters, bombers and missiles. The Henderson plant's titanium sponge capacity recently was increased to yield 9,000 tons a year (hitherto 6,000 tons) and titanium ingot capacity increased by 80% to provide 11,000 tons per year.

Six-year-old titanium has come to the fore with breath-taking speed because it has but half the weight of steel and twice the strength of aluminum. Moreover, at temperatures up to 800-F., it retains a very large proportion of its strength.

At this point recognition is due the Government, which did much

to encourage production of titanium. The authorities, through purchase agreements covering part of output and through accelerated amortization covering most of the facilities, eased most of the risks for established producers of titanium sponge.

The Government (primarily the Air Force) was interested, of course, in planes and missiles. While commercial adaptation now is relatively small, the promise is great. Into this field have come such companies as Crucible Steel, Remington Arms, E. I. du Pont de Nemours & Co., Sharon Steel, Monsanto Chemical, Kennecott, New Jersey Zinc, plus such research giants as Dow Chemical and Union Carbide & Carbon.

Expanding Search in New Age

With the age of nucleonics, electronics, aerodynamics and the vast proliferation of products wholly undreamed of in the era preceding World War II, there has come a striking expansion in the quest for new and rare metals, and their application to modern technological processes.

Paralleling this development is a sharp increase in investment for properties bearing these minerals, considered to hold great promise for future exploitation. Among the "newer" metals modern metallurgy has uncovered are such strangely-named minerals as zirconium, boron, rhenium and cadmium. In addition, there are the better-publicized germanium, used to make transistors; titanium, hitherto cited; uranium, known to all for its atom-energy applications, and thorium and lithium.

Nor should we overlook the research that has spawned valuable by-products and created whole new industries. It was costly and intensive research that developed scores of uses for boron, derived from the borax which abounds in our Western deserts. Borax long has been used by makers of agricultural chemicals, porcelain enamel and plastics, but now borax-based boron is coming to the fore as an aircraft fuel, in addition to finding applications in atomic energy and a wider range of uses in the chemicals industry. Boron chemicals are able to withstand high temperatures and are outstanding for their durability.

Prominent in this field are such "name" companies as Olin Math-

ieson Chemical Corp., U. S. Borax & Chemical Corp., Stauffer Chemical Corp. and American Potash & Chemical Corp. In some instances the heavy cost of such research is borne by contracts from the military, which is interested in development of high-energy fuel.

The case of natural gas probably is the outstanding example of an established industry, in this case oil, spawning a by-product that has come into its own as an industrial colossus. A quarter-century ago gas accounted for less than one-tenth of all energy production in this country, while now it provides more than one-quarter. The previous generation depended on manufactured, used mainly for cooking. Today this country has attained tremendous reserves of natural gas, largely the result of drilling by oil companies. National reserves are about 214 trillion cubic feet. This is the proven reserve. Including reserves not yet proven, it is estimated the figure may well be as high as 600 trillion cubic feet.

Exploring: Then and Now

Nor is the cost of exploring for the old-established ores a bargain-counter proposition. When Mesabi ore first was discovered, it was a simple matter to gather it for the blast furnaces of a stripling steel industry. Now we must work largely with low-grade domestic ores, or go abroad for our source of supply. This can entail the draining of a Canadian lake, building a railroad, dredging a river or creating a whole new city in Venezuela. Tasks of this scope have been undertaken by Iron Ore Co. of Canada, of which group M. A. Hanna Co. is a member, and United States Steel Corp.

The story is much the same in the petroleum industry. Socony's Mr. Brewster has noted that last year it required the drilling of 20 wells to find a million barrels of oil. Only 10 years earlier it took but 14 wells.

It is no wonder that the industry in its quest to keep up with the insatiable demands of the economy has gone to sea in quest of oil. And this search, expansive and expensive, has paid, for the greatest single discoveries added to our domestic reserves in recent years have been made in wells drilled in the Gulf of Mexico.

As the mighty floodtide of oil lessened dependence on coal, so many of the minerals now coming to light may one day lessen our dependence on oil. In the next decade, barring a major war (one in which atomic and hydrogen weapons would be used), this country, Great Britain and the Soviet Union should make considerable strides in the field of electrical energy generated by nuclear fission. While oil is not going to be supplanted in our lifetime, like coal, it will have to vie with this new source of energy which will be derived from uranium, thorium, zirconium, hafnium and rare earths.

A measure of the swiftness with which these minerals are coming to the fore may be gleaned from the titanium story. Despite agonizing problems, it moved with a rush from the laboratory, to the pilot plant and, finally, into commercial production. In another era, when corporate research was not a multi-billion-dollar industry, it took aluminum 50 years and iron several times as long to record the technological progress attained by titanium.

Oil Remains Key Energy Source

Drill bits these days are being pushed down as much as four miles beneath the surface of the earth. Costs are almost prohibitive. It has been estimated that over the next five years capital expenditures of the industry will reach about $50 billion (the figure includes the entire Free World). This is on the order of 40% more than in the preceding five years. Gross investment in fixed assets employed by the petroleum industry in the United States adds up to more than $40 billion.

This then is the price of taking a prime natural resource out of the ground in an age when oil demand continues to mount.

High Cost of Research

Corporations have spent on the order of $11 billion for research in the post-war decade—the outlays grow each year. This is money spent to assure that they

will make more of our resources and lessen dependence on many of these—not all of them within the borders of the United States.

Probably no energy source has given Americans as much cause for serious concern as oil. The people on this continent are the heaviest users of oil. But crude oil reserves of the North American Continent are estimated at 34 billion barrels, whereas the Middle East, which is a negligible consumer, has reserves of more than 126 billion barrels. Since Americans consume on the order of 8 million barrels of oil daily, it is apparent that the present reserves are far from exhaustible. Indeed, Americans import about 300,000 barrels of oil daily from the Middle East, in addition to which we get supplies from Western Hemisphere sources, notably Venezuela and Canada.

Since oil still holds the key to higher living standards, domestic oil producers have striven to step up domestic production. Drilling activity is on the rise. More than 59,000 new wells will have been drilled before the close of this year, compared with less than 56,000 in 1955. Improved machinery has also made it possible for the industry to drill deeper. More intensive exploration of the Williston Basin area, which extends into Canada and the Dominion generally, may very well force sharp alterations in previous estimates of our oil reserves. In an age when companies must dig deeper for oil within our borders searches are costly and risky.

Of course, the most highly industrialized country in the world does not strive for, nor is it likely to attain, economic self-sufficiency. Many people in this country feel that our dependence on foreign sources for raw materials poses a danger to our economy. Their counterpart can be found in the so-called underdeveloped lands, where there is no little enmity toward any suggestion of using our capital and skills to develop their rich potential. There are exceptions to be sure, notably Canada and Venezuela.

To sum up, it would appear that a nation's greatest riches are not in the soil, but the mind. Ideas, backed by the enterprise of daring men, point the way to the material enrichment of our society. While there is no reason to be complacent about the depletion of our natural resources, there is small need for alarm in the presence of the mental resources that have come into play as a counter-balance. END

Answers to Inquiries

(*Continued from page* 215)

Western improvement program began to be reflected in company earnings.

Continuing improvements also are being carried out at the company's fully-integrated steel mill in Pueblo, Colo.

The combined program of sales planning and technical research has been coordinated with the modernization and expansion of the company's steel plants and mining properties. Continued emphasis has been given to the development of new products, the careful selection and training of salesmen, and the distribution of existing products into wider market areas.

The $2 annual dividend is expected to continue. Prospects over coming months continue favorable.

Campbell Soup Co.

"I have some Campbell Soup Co. stock and this was purchased as I felt that a good food-company stock would be less vulnerable when and if business recedes as consumption of food products should hold up well and Campbell has a long record of good earnings and dividend payments. Please advise on recent data and outlook for the company over coming years." C. R., Jenkintown, Pa.

Campbell Soup Co. is the largest manufacturer of canned soups, spaghetti, and various vegetable juices and also a large producer of canned pork and beans, tomato juice, etc. In 1955 it acquired C. A. Swanson & Sons, a leader in poultry products, frozen specialties and frozen prepared dinners. The company has paid consecutive dividends since 1902.

Sales of Campbell Soup in the 1957 fiscal year are expected to show an increase over the record $429,841,220 registered in the year ended July 31, 1956 and, according to the president of the company, W. B. Murphy, earnings should increase as well.

For the fiscal year ended July 31, 1956, net sales were $429,841,220 and net income $29,243,557, equal to $2.74 per share based on 10,658,700 shares outstanding. This compares with

preceding fiscal year net sales of $377,590,198 and net income of $29,133,197, equal to $2.73 per share, based on 10,667,065 shares outstanding. The company is doing more agricultural research, product research and equipment process development than at any other time in its history.

Sales for fiscal 1956 were 13.8% over the preceding year's record high. According to the president of the company, "no major obstacle to continued growth in the consumption of soups from the present rate to considerable higher levels" is anticipated. The company's plans for enlarging its business, for developing and improving products and processes, and for expanding its facilities are proceeding on schedule.

Expenditures for land, new plant and equipment totaled $20,-599,000 during the year, carrying forward a vigorous expansion program instituted by the company several years ago. Capital expenditures during the last 10 years have totaled $85,435,000, all of it financed out of earnings.

Rehabilitation of company's main plant at Camden, N. J., construction of a new plant at Napoleon, O., and of a West Coast mushroom plant in California are all expected to be completed during the 1957 fiscal year. A new general office building in Camden now is in the process of construction.

Campbell's product price levels have remained generally unchanged over the past five years despite substantial increases in wages, salaries and cost of ingredients and supplies. This was made possible through important operating economies. During the new fiscal year a number of new frozen and heat-processed products will be tested. These include five kinds of regular Campbell's soups packed in family size (19-ounce) cans, new frozen vegetable with beef soup and a new Swanson TV brand frozen three-course dinner consisting of the new vegetable with beef soup, fried chicken, mashed potatoes and apple pie.

Annual dividend is $1.50 per share. Dividends paid represented 54.8% of earnings. This good-quality stock has an excellent record of earnings in a comparatively stable industry.

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What 3rd Quarter Earnings Reveal

(*Continued from page* 184)

outstanding showing of the first six months has enabled Union Carbide to keep abreast of the 1955 earnings level. For the first nine months of this year, net profit was equal to $3.50 a share, compared with $3.48 in the like 1955 period. Over the same span, sales soared to $937 million, a jump of $80 million from the first nine months of last year.

UNDERWOOD CORP. sustained a substantial loss in the third quarter despite the fact that volume ran neck and neck with the year-earlier period when a net profit of $500,000, or 67 cents a share, was recorded. Loss for the quarter just ended was $5,867,000. Sales of $20,650,500 compare with $20,-728,000 in the year-ago quarter. The third-quarter loss included a non-recurring writeoff of $3,624,-000 and $602,000 of inventory and other adjustments ordinarily made at the year-end and resulting from an interim audit. Of the operating loss of $1,640,000, the company attributed $300,000 of this to a strike which halted its Bridgeport, Conn., plants, ending output for the entire month of September. Production has since been resumed. Balance of the operating loss was due to expenditures for research and engineering for the development of new products and improvement of existing products, expenditures to intensify training activities in the sales and service organizations and to expand the advertising-promotion programs.

REPUBLIC STEEL CORP. is commented upon here only to underscore the distortion in earnings of the basic steel industry. Republic, like scores of other steel producers, is reflecting poor third-quarter earnings because of the five-week strike and the considerable shutdown-startup costs. The company now is operating far beyond theoretical capacity, as are other major steel producers. September net profit was at a record peak, but the July-August problems caused sharp cut in earnings for the quarter. The company, for the three-month period, operated at about 60% of capacity. Net for

the quarter was $4,306,000, or 28 cents a common share. This compares with net of more than $22 million, or $1.43 a share, in the third period of 1955. Sales for the latest quarter were little more than $200 million, against nearly $300 million a year earlier. Despite the costliness of the strike, the company expects that the signing of a three-year labor agreement will more than repay it for the concentrated losses sustained. The long-term contract will enable steel producers to plan production with greater efficiency and with a more accurate knowledge of costs. Indeed, it would occasion little surprise if Republic and a number of other steel companies were to wind up 1956 with record dollar volume.

FORD MOTOR CO. net profit for the quarter slumped to $13.5 million, equal to 25 cents a share. It represented a decline of 82% from the $77.8 million indicated net for the corresponding period of 1955. Ford, like General Motors and Chrysler Corp., during the quarter produced at a relatively low level and absorbed high costs associated with the changeover to 1957 models. The automobile producers are finding costs much higher this year, although they were plenty high in 1955. Ford was particularly hard hit in the latest quarter because of the development and staffing of its new car line division and the major facilities expansion program that will not bring in additional revenues until subsequent years. Ford has been setting up a division to produce its so-called model "E" line, which may be unveiled a year hence. Ford appears to have gotten the jump on its competitors with the 1957 line and earnings should show a sharp rebound in the current quarter. In connection with the poor showing of the automotives in the third quarter, it should be noted that inventories of 1956 models have been worked down sharply and thus should pave the way for active consumer demand for the 1957 models in the months ahead.

RADIO CORP. OF AMERICA sales for third quarter soared 13% to reach a record peak of $286,036,000 and net profit, meanwhile slipped 12% from a year earlier to $7,856,000, or 50 cents a share. RCA, of course, is a foremost factor in the appliance field, where profit margins are unusually slim (sometimes non-existent these days) and is spending heavily to promote sale of television color sets along with TV color programs. RCA, like other appliance manufacturers, has been feeling the profits squeeze for some time. Thus, for the first nine months of this year, RCA sales were a record $812,524,000 and net profit was $27,893,000, or $1.82 per common share. This stacks up against the year-earlier showing of $740,622,000, brought down to net profit of $30,995,000, equal to $2.04 per share. Unlike steel and coal producers, the manufacturers of appliances are in no position to pass along higher costs to the consumer, although scattered increases have been effected. They are, indeed, fortunate if they can recover a small part of their increased costs and still retain their competitive position. This is a field in which there has been no little price-cutting and "distress selling."

DISTILLERS CORP.-SEAGRAMS, LTD., the kingpin of the distilling industry, also is worthy of comment, although latest figures only cover the fiscal year to July 31. Until 1956, the distillers shied away from price increases. In a field where growth is scant and competition extremely bitter, whisky producers had good reason to fear loss of competitive position should they raise prices. Now, however, there is a tendency for prices to rise on a broad front because the companies no longer are able to absorb steadily mounting costs. For Seagrams, the latest fiscal year produced sales of $723,138,000, down from the $735,679,000 in the preceding year, which in turn was a drop from the $752,692,000 of the year prior to that. Similar erosion is notable in net profits, with earnings per share falling from $4.09 in fiscal 1954, to $3.54 in fiscal 1955 and to $2.62 in fiscal 1956. Typical of many companies caught in a profit squeeze, Seagrams has turned to other fields. In the case of this distiller, it is oilfields. The latest earnings, incidentally, reflect the impact of "substantial" writeoffs against its oil and gas properties. Wells were abandoned when economic and geologic possibilities did not indicate further activity. Despite the writeoff, however, the company's investment in oil and gas projects in this country increased to $21,787,000 from $15,587,000.

ALLIS-CHALMERS MANUFACTURING CO., thanks to its product mix, kept earnings in the third quarter within respectable bounds. Farm-equipment sales had a baleful effect on the over-all situation, but five of the six operating divisions of the company increased their sales to a point where they offset the sore spot. Of course, in all divisions Allis-Chalmers felt the impact of higher material and labor costs. Sales for the quarter that ended September 30 totaled slightly less than $138 million, compared with $138,524,000 in the year-ago period. Net profit amounted to $3,857,000, or 43 cents a common share. This compares with net of $5,584,000 and 67 cents a share in the corresponding quarter of 1955. For the first nine months of this year, sales set a new peak at 9% above the 1955 period. Earnings, however, declined about 13% to $15,713,000, or $1.87 a share, from the $18,147,000, equal to $2.21 a share, in the nine months last year. Unfilled orders, exclusive of commercial orders of the tractor-group divisions, totaled $220 million as the company headed into the current quarter. At the same time last year it was about $143 million. Prospects are that the final three months of this year will be about the same as the third quarter.

CONTINENTAL OIL CO. made considerable strides in the third quarter, not unusual in an industry where the labor factor does not bulk quite as large as the general run of trades. The company netted $13,593,000, the equivalent of $1.39 per share, compared with $12,283,000, or $1.26 a share in the third quarter of 1955. For the first nine months of this year, net profit was $39,142,000, or $4.01 a share, against $34,455,000, equal to $3.53 a share, in the corresponding period of 1955. The improvement was attributed, in large measure, to an increase of 3.4% in crude production, a 5.9% hike in sales of refined products and to higher prices on certain refined products. In connection with the third-quarter showing, it must be pointed out that earnings were affected by an increase in intangible development costs incurred in drilling wells. About one-half of the $3 million development expense for the nine-month period took place during the third quarter. This then is a prime example of a company stepping up its earnings through the ability to boost production and prices while not being subject to the onerous burden of soaring labor costs.

REVERE COPPER & BRASS, INC., a leading fabricator of metals, showed slightly better earnings in the third quarter as compared with a year ago, but results for the first nine months were not as good as the like 1955 period. For the latest quarter, net profit was $2,020,000, equal to 77 cents a common share, compared with $1,911,000, or 73 cents a share, in the third quarter last year. For the first nine months of this year sales mounted to $193,226,000, against $180,084,000 in the similar period of 1955. However, this year the company sustained a sharp increase in charges against income, principally a rise of nearly $15 million in the costs of goods sold. As a result, for the first nine months of 1956, net profit was $7,067,000, or $2.70 a common share, while last year net was $8,145,000, equal to $3.15 per share.

END

A Re-Appraisal of the Railroads

(*Continued from page* 197)

values in the future.

The following paragraphs discuss the outlook for the more important and investment-worthy railroad companies. Higher money rates should tend to help high-yielding rail stocks at expense of issues with low yields. Above all, selectivity should be stressed. Current revenues and earnings, including 1956 estimates, may be found in the statistical tables.

SOUTHERN REGION

In the Southland, Southern Railway continued during 1956 to take advantage of its promising traffic territory. With a relatively minor passenger business, Southern continued its freight gains despite a loss of steel traffic during July. The onerous 1956 bond maturities of about $40 million have been removed, and debt is otherwise well spaced. Cash is down, but the company is continuing its extensive yard program with a major project at Atlanta. Ultimately, worthwhile savings can be expected from a consolidation of the affiliated properties, such as Alabama Great Southern and Cincinnati, New Orleans & Texas Pacific. Increasing business development, typified by the paper industry, plus further operating savings, suggest that higher earnings and dividends are possible in 1957.

(Owing to the tensions that grip large areas of the world, from the Mediterranean to the Baltic, investors are advised to defer new commitments until the dust has settled. This counsel pertains not merely to railroads, but all equities.)

Like the Southern, Seaboard Air Line is prospering under the guidance of good management, a satisfactory level of operating efficiency, and the benefits of gradual industrialization. Phosphate traffic was higher in 1956 than in 1955, when a strike closed the mines. Traffic-producing potentials were increased from paper, manufacturing and warehousing. Seaboard Air Line at current prices appears to be one of the more statistically attractive railroad stocks.

Atlantic Coast Line and Louisville & Nashville improved earnings modestly in 1956 compared with 1955. Through the ownership of about 824,000 shares of L. & N. and Clinchfield common stock, Coast Line received $8 million as income in 1955 with the prospect of further improvement this year and next. In view of L. & N.'s steadily higher earnings, a dividend increase is to be expected, which would benefit both the Coast Line and holders of L. & N. As a consequence of improved dividends from its investments and from its own operations, Coast Line might also increase its dividend disbursement. However, these moves seem to be discounted in present prices for both stocks.

MID-STATES CARRIERS

Just as the earlier transportation development of the United States was from East to West, so the development in more recent years has been between the North and the South. Southern Railway, Seaboard Air Line, and Atlantic Coast Line have reflected this trend in the Southeast, and it is likely that Illinois Central, Kansas City Southern and Gulf, Mobile & Ohio will tend to participate in a worthwhile manner from a maturing of their terri-

tories. Unfortunately for Illinois Central and, to some extent, Gulf, Mobile & Ohio, competition arises not only from the trucks but from the Mississippi River and other waterways, which have deprived the railroads of much valuable tonnage. The cities of the Gulf coast and the Mississippi valley have been expanding rapidly, and hence the traffic situation should offer more benefits in the future. In view of Illinois Central's bounteous earnings and lean dividend disbursement, it is possible to predict dividend increases in step with the completion of stages of dieselization and various other expensive projects. Gulf, Mobile & Ohio has not demonstrated any clear-cut trend within the past year or so as to revenues or profits, the latter partly due to the run-out of accelerated amortization and resulting increased Federal taxes. New traffic has been added through the port of Mobile in the form of Venezuelan ore, and other industries, such as lumber and paper, have expanded. For the time being, however, Gulf, Mobile & Ohio would seem to rate no special recommendation.

Kansas City Southern has enjoyed and is enjoying a brilliant record of operating efficiency. The replacement of antique steam power over a route fraught with mountainous grades, and the substitution of heavy diesel power, along with heavier rail and modern signaling, have rewarded the company with some of the best railroad freight-operating statistics in the industry. Traffic developments around Kansas City and in the southern reaches of Shreveport, Dallas, Port Arthur, Baton Rouge and New Orleans have been most important. Partly because of a drop in earnings from the Louisiana & Arkansas affiliate, Kansas City Southern may not show much earnings improvement in 1956 compared with last year. The stock is a candidate for eventual split, and the underlying trend of revenues and earnings seem to be upward. A dividend increase is likely.

The outlook for the common stocks of Missouri Pacific, St. Louis-San Francisco and Missouri-Kansas-Texas is clouded by various financial and operating factors which suggest that prospects for appreciation are less favorable than elsewhere in the industry. The Frisco has several possibilities which may bring higher earnings, namely the 60% holdings of Central of Georgia preferred and common stocks, the control of New Mexico & Arizona Land Company, the benefits from an extensive yard program, and the possibility of income bond substitution for preferred stock. Earnings have not been developing rapidly, partly due to the marginality and competitive nature of its traffic territory. As a medium to long-term speculation, the stock affords some degree of attractiveness at the current level.

EASTERN RAILROADS

Eastern railroads, such as New York Central and Pennsylvania, have suffered from parallel fundamental problems. Baltimore & Ohio, Delaware & Hudson, and New York, Chicago & St. Louis seem to have improved their positions enough so that operations and finances can be compared with the successful carriers of the South and West. Baltimore & Ohio, particularly, shouldered a tremendous task in realigning its debt problems, and the successful results have helped to produce higher earnings, reflected in improved market values for its securities. The B. & O. possesses a potentially rewarding traffic territory, including the rapidly developing Ohio Valley, its passen-

ger business is relatively minor and larger sums of money are available for cost-reducing projects. Traffic depends to a great extent on coal and the steel industry, and the base is being broadened through developments of other new industries. The stock does not yet seem to discount further improvements in earnings and higher dividends.

New York Central is in the ambiguous position of suffering from the worst of the problems affecting the railroad industry and, on the other hand, possessing a physical plant and traffic territory which could bring most sizable benefits to the relatively small issue of common stock. While vulnerable to dips in the economy, New York Central, through its vigorous management, apparently is finding the ways which promise the quickest route to more efficient freight and passenger operation, fuller utilization of real-estate properties and eliminating the commuter, terminal and branch-line losses which have bled away profits. Somewhat the same problems are encountered on the Pennsylvania, and the task is not one which may be solved in one, two or three years.

One might be concerned about New York, Chicago & St. Louis, which is vulnerable to reductions of automobile production and heavy manufacturing. Whether the traffic developed at the expense of New York Central can be permanently retained emerges as a problem to considerb when viewing the improvements being made by the New York Central.

An evaluation of the Erie-Delaware & Hudson-Delaware Lackawanna & Western merger is complicated by the probable duration of several years time before the traffic interchange, financial, legal and labor questions can be resolved. Whether the inhabitants of a town like Binghamton, N. Y., served by all three, would foresee any advantages in being served by only one railroad company is a problematic aspect of the negotiations. For the time being, the common stocks of these three roads, giving due allowance to the high quality of Delaware & Hudson, appear best judged from the standpoint of the high income from dividends, rather than from stability or appreciation.

The New England group, including New Haven and Boston & Maine, is best avoided by the average investor, particularly in view of the excellent supply of high-quality income-producing stocks furnished elsewhere by the railroad industry.

POCAHONTAS INDUSTRIAL RAILROADS

Three of our finest railroads operate in an area east and west of the Allegheny Mountains. Some years hence, this territory might rival Pittsburgh and the industrial centers of the Great Lakes in importance. Ample supplies of raw materials and the desire of manufacturers to disperse their facilities away from the congested, mature areas, and at the same time nearer to growing markets, suggest that the fortunes of Chesapeake & Ohio, Norfolk & Western and Virginian should continue to improve. The C. & O., discussed in THE MAGAZINE OF WALL STREET of October 27 is managed by an industrial-minded, growth-conscious organization that is translating new ideas into higher earnings, assisted by what is proving to be a basically more stable flow of coal traffic than was the previous experience. Norfolk & Western faces few of the haunting problems of high interest charges and recurring equipment-trust instalments, and is consequently in a good position to purchase cars, improve roadway and develop industrial lands. Gradual dieselization, now underway, should tend to reduce N. & W.'s repair and fuel bills moderately. Nearby, the Virginian has completed a program of eliminating steam power and, like the N. & W., is attempting to attract industry, with comparative success. All three Pocahontas carrier common stocks command top rating, and provide stable earnings and possibilities of further dividend increases. Virginian common stock is considered to be a candidate for a split-up, in addition to further dividend liberalization.

A fourth member of the coal group, Western Maryland, is not ordinarily associated with the Pocahontas carriers, but its fortuitous position stems from carrying high-grade coal. The quality of Western Maryland securities has improved greatly within the past few years, partly as a result of intelligent managing of operating and financial matters. After the terms of an existing bank loan due in December, 1957, are satisfied, or possibly by repayment beforehand, it may be possible to foresee an eventual dividend of as much as $4 per share, which seems to be discounted in the present price for the stock. Whether this will prove to be true or whether the stock might suffer disappointment in the meanwhile remains in the realm of conjecture.

In discussing the coal carriers, the subject of atomic energy becomes important. So far, the atomic energy program has meant increased shipments of coal for the A.E.C. power plants. Spokesmen for the electric industry, such as Ralph Cordiner of General Electric, do not foresee more than 4%-5% of power being generated by atomic energy, and even that 15 or 20 years from now.

THE TRANSCONTINENTAL GROUP

In the early days, the growth of this country was East to West, and the first of the companies to lay down tracks have been nearly equally as successful as to profitability. The Union Pacific is a "royal purple" chip among railroad securities and, at the present price, with an attractive yield from the increased dividend disbursement, the prospects for the investor are intriguing. Oil income was down during 1956 ($12.2 million during the first eight months of 1956 vs. $13.5 million), but an increased rate of secondary recovery from the California fields suggests that the future will not be disappointing. Provided that Union Pacific retains title to its mineral rights, the development of taconite could be valuable both for revenues and royalties. Debt is low, tax deferments from the recent diesel program should act as a cushion during the next several years and the cash position is strong. The overall outlook is comparatively favorable.

The Atchison, Topeka & Santa Fe, like the U.P., enjoys the advantages of a long freight haul, an absence of terminal problems and a gradually developing territory. Its passenger loss is rather large, however, and branch lines are a burden, together with a heavy dependence on grain shipments. The Santa Fe also owns interests in lumber properties, and mineral royalties should develop in time. The stock appears

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to be a secure investment, providing all-around advantages with plus-factors of other income and the prospect of further dividend increases.

Northern Pacific combines many advantages. The best known are the extensive oil and timber holdings, which are being developed in a far more organized manner today than formerly. Traffic potentials are reasonably good, and operating savings from new yards, diesel locomotives, and electronic accounting portend an ability to remain at least abreast of increased labor and material costs. An ultimate merger with Great Northern, Burlington and other affiliates might also tend to reduce operating expenses. However, the merger seems rather far distant, and it seems too early to predict whether Northern Pacific or G. N. would benefit the most. Other income is enriched by nearly $8 million (1955) from the Burlington RR and Spokane, Portland & Seattle holdings. Oil should contribute over $3 million in 1956, and timber sales may amount to nearly $1.5 million, and probably more from both sources subsequently. Earnings are showing an underlying improvement and dividend increases are the logical expectation from Northern Pacific's energetic management.

Great Northern recently raised its dividend in conformity with a continuing improvement in earnings. Whether an investor wishes to worry forever about Great Northern's dependence on iron ore, grain and lumber traffic seems of minor concern compared with the improving general economic developments in the territory. Earnings improvements reflect general excellence in operating, traffic and financial matters, and gains in earnings in the future should continue at least as well as elsewhere in the industry. For the long term, this road should derive major benefits from development of St. Lawrence Seaway.

A weak member of the transcontinental systems is Chicago, Milwaukee, St. Paul & Pacific. Slow but steady progress is being made in overcoming some of the natural problems, such as light traffic density, competition with other roads, and the difficulty of abolishing passenger trains and branch lines. For the time being, its securities should be by-passed for serious investment purposes.

The recent results for Southern Pacific and Chicago, Rock Island & Pacific have been disappointing, though they merit retention. Although Southern Pacific operates in some of the best growth territory, such as Louisiana, Texas and California, efforts to transform revenues into net income have not had the success that more time may provide from further dieselizing, completing new yards and other improvements, and reducing passenger deficits. Rock Island is an efficient carrier, despite its many branch lines (about one-third of route miles), but traffic has developed slowly. Denver & Rio Grande Western and Western Pacific revealed better earnings in 1956 compared with 1955, but the improvement has not been as marked as in prior years. Both are serving a growing part of the country, have mechanized their operations extensively, and utilize effectively most of the modern tools of railroad science. From now on, one would expect improved earnings and dividends, but possibly at a less dramatic rate, from Denver & Rio Grande. Pending completion of heavy roadway programs, higher dividends from Western Pacific may become a reality. These stocks are regarded as medium-grade investments, primarily for income.

New Look On Railroads

In tracing the post-war history of our American railroads, it is difficult not to find a great sense of reassurance that the industry is improving both physically and financially. No longer do terms such as deficits poor cash positions, deferred maintenance, and hard-to-manage bond maturities appear in common use. Investors are reading about new freight yards, electronic business machines, new concepts of train signaling, piggy-back service, industrial development, higher profits and increased dividends. Our economy is expanding, research is uncovering new products and rapid technical achievements are placing demands for new tools of production. The house, bridge, and factory constructed yesterday are outdated faster than ever before, and to provide the necessary steel, concrete and machinery, the railroad industry, which has been virtually rebuilt during the past 10 years, is in a most strategic position to serve. END

Answers to Inquiries

(*Continued from page* 228)

NORTHROP AIRCRAFT

"Please advise on reason why Northrop Aircraft earnings declined for the fiscal year ended July 31, 1956, and, also, please indicate the company's backlog of orders and future plans."

O. S., Omaha, Nebr.

Consolidated sales and other income of Northrop Aircraft, Inc. for the fiscal year ended July 31, 1956 amounted to $322,513,290, the highest in the firm's history. Sales in the year were $283,462,-522.

Net income was $4,965,071, equal to $3.28 a share, on the 1,512,584 shares of common stock outstanding, compared with $11,-738,764, or $7.89 a share, in the preceding year.

The company cited two factors as responsible for the decline in earnings: (1) Experience in producing F-89 aircraft enabled the company to pass on substantial savings to the Government, with a resultant decrease in the basic contract profit and incentive profit, and (2) Provisions were made for the total anticipated loss incident to establishment of a sub-contracting program.

The consolidated sales backlog at July 31, 1956, totaled approximately $228 million, compared with unfilled orders at the close of the preceding year of $281 million.

In May, 1956, Northrop was awarded a U. S. Air Force contract for initial work on a supersonic jet trainer. The company anticipates that the project will absorb an increasing proportion of capacity at the Hawthorne plant, to replace the F-89-H Scorpion airplane, final deliveries of which are scheduled for this autumn.

The company reported contracts of $55 million are on hand for the modernization of F-89's now in service. The work will be carried on principally at the Palmdale facility.

The Snark SM-62, a major project of Northrop's guided-missile program, has advanced, as a result of orders received this September, into a new phase of expanded operations. Substantial additional work is scheduled on the project for the 1957 fiscal year.

Northrop is pursuing a policy of product diversification. The

Anaheim division has significantly expanded its roster of products. Radioplane, a wholly-owned subsidiary, has extended its activities in target drone aircraft through the development of new models, and "has established itself as a leading company in the field of guided missiles."

Further plans for the company also call for a constant substantial volume of subcontracting.

As part of its long range plans for facilities, the company now has under construction a 250,000 square-foot engineering center, an engineering test laboratory and a new wind tunnel. Radioplane added a total of 176,890 square feet to its plants during the fiscal year. In addition, the company will supervise the construction and have the use of further facilities financed by the U. S. Air Force.

Preliminary talks are in progress with the management of Vertol Aircraft Corp. of Morton, Pa., concerning the possible combination of the two companies. Vertol, which employs approximately 5,000 and operates at an annual rate of sales of about $88,000,000 is the nation's largest independent manufacturer of helicopters.

Dividend payments thus far in 1956 have totaled $1.20 per share.

END

Bethlehem Steel— A Study in Growth

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ore properties, equipped for operation, are located in this country, Canada and several South American republics. From one of its newest operating properties, the Marmora mine, 120 miles east of Toronto, Canada, which went into operation in 1955, it expects to mine by open pit method, approximately 500,000 tons of 65% concentrate annually. Last year, its El Pao property in Venezuela produced 3 million tons. Other properties are being developed, several of which are approaching the production stage. Other raw materials sources include its own coal mines, and limestone and manganese properties in which it has an interest, as well as undeveloped chrome ore properties. In addition, it owns 45% of the stock of Erie Mining Co., which owns or holds under lease substantial acreage containing large quantities of taconite. Development of these properties and completion of plant and related facilities represents a $300 million project which, when in full operation, is expected to produce 7.5 million tons of taconite pellets a year.

Because of Bethlehem's importance as a shipbuilder, it has extended its policy of continuing research and development in shipbuilding into the nuclear power field. Its first participation in nuclear work began with the conception of building the atomic-powered submarine "Nautilus" in connection with which the company was engaged as consultant on steam power plant engineering. It was shortly after this when it received contracts for nuclear power work from both the AEC and the U. S. Navy Department. The AEC contract involves surveys and studies of the Commission's reactor developments to determine the feasibility of nuclear propulsion for commercial ships of all types while the Navy contract calls for design studies for large naval ships.

Activity in the nuclear power field is but one phase of Bethlehem's research to advance technological procedures to reduce operating costs, create improved and new steels and further develop the fast growing coal chemical industry.

The most recent balance of Bethlehem is that dated at the close of 1955, which showed net working capital of almost $810 million. Included in current assets totaling $1,202 million were cash of $145.7 million and marketable securities, largely U. S. Government obligations, totaling $543.7 million.

Estimating 1956 earnings at a minimum of $14 per common share, the 1956 dividend payout of $8.50 a share, represents approximately 60% of the total per share net. It had been expected for some time that Bethlehem directors would propose a stock split although up to now there is no indication of any such action being imminent. As we have already pointed out in a previous comment, directors might defer consideration pending outcome of the company's efforts to carry out a much desired merger with

Youngstown Sheet & Tube Co., giving Bethlehem a strong competitive position in the big Mid-continent steel market. Regardless of the outcome of this plan, Bethlehem's prospects for further growth makes its common stock a worthwhile long-term holding both for income return and price appreciation as earnings continue to expand. At its present price around 165, it yields a return, based on this year's total dividend, of 5.15%. —END

As I See It!

(*Continued from page* 177)

is concerned, the U.N. did not even have a case, for Nasser has unhesitatingly told the world that he intended to destroy that country and push its people into the sea. Yet, fully aware of the situation, the U.N. took no action. Furthermore, since the armistice of 1948 there has been no peace between the Israelis and the Egyptians, who have carried on a campaign of murderous border raids, attacking schools, homes and farms, and killing both young and old. Significantly too, Egypt has blocked Israeli ports, seized their ships, imprisoned their seamen, and refused Israel permission to use the Canal, announcing they legally had the right to do so because a state of war existed between them. And yet, the U.N., which created Israel, took no steps to protect that country—but, instead, lightly passed over Egyptian aggressions and made it a point to condemn Israel for retaliation.

Can you imagine what would have happened if Mexico had declared itself to be in a state of war with us, and had made continuous raids into Texas or had attempted to blockade New Orleans harbor? The United States would have been up in arms whether the U.N. approved or not, even though we abhor military action.

All in all, it is clear that the U.N. has failed in its duty toward Britain, France and Israel—and the world—by causing these three nations to take military action in self-defense when they found they had nothing to hope for from the U.N. There is no reason now why they should bow to the selfish and cynical national leaders who offer an inadequate police force that would dictate their course, without any real assurance that the interests of Britain, France and Israel would be protected.

So far nothing has been said or done to deal with Egypt's paper tiger, Col. Nasser. Before anything else, he should be made to meet the issues squarely, both as far as the Suez Canal and the state of war between his country and Israel are concerned. A permanent peace must be fashioned between Egypt and Israel, instead of an armistice which would continue the armed truce that has been in effect since 1948 and which has been constantly violated despite General E.L.M. Burns, the U.N. representative.

In carefully reappraising what has taken place in the Middle East, it has shown up alignments that somehow have been overlooked by our State Department and our Central Intelligence Agency. It has been forcibly brought to our attention that the Russians have strongly entrenched themselves in this part of the world, with Egypt as their focal point, and that the action taken by Britain, France and Israel has exposed this situation and destroyed the Soviet base there, honeycombed with Stalin tanks, Ilyushin bombers and Mig jets, so that intsead of censuring these three countries we owe them a vote of thanks.

Recognition of this truth is bound to bring the West closer together. And in the meantime we must press for a solution of the Hungarian situation, which calls for immediate forthright action. So far there has been nothing but talk, and if this policy continues I am sure nothing will be done, for Russia is bound to refuse to follow the direction of the U.N., while cynically censuring and plotting against the West, and her cohorts are likely to back her up regardless of the moral issue involved.

Altogether, what has taken place in the Middle East and elsewhere has emphasized what we have all known before—that the U.N. is without genuine power to maintain peace in the world. Thus far in its existence, except in the case of Korea, in which it acted only after the United States took the initiative, it has never succeeded in enforcing its decisions when flouted by dictators, and it has shown itself to be susceptible to control by large blocs unfavorable to the West. This is something that we must recognize and take action against — for in a world aflame with war there can be no peace without the fiber of moral principle in action. Long-winded debate will not solve the problem.

Stock Market

(*Continued from page* 179)

inventory-policy shift; and when the change will come. It must be noted that in every previous instance where the authorities have adhered to a tight-money policy for an extended period, a business recession has followed.

Third-quarter earnings were about 10% under a year ago, on average, due largely to pared steel and automobile profits. Results will be better for the present quarter, but on an annual-rate view, aggregate profits and dividends are fairly static now, compared with dynamic improvement in 1955. The "average" probably have a ceiling not far above the present level. Allow for later tests of the solidity of the floor represented by the October 1 lows. Monday, November 5.

Objective: RETIREMENT

An Important Message to Investors with $20,000 or More

Most investors are aiming for eventual retirement . . . whether they hope to arrive at their goal in five, ten or twenty years.

We concur in their confidence that wise and timely investment of their capital can make this dream a reality . . . for our nation is forging ahead in a new era of amazing scientific achievement, industrial advancement and investment opportunity.

In the coming months and years, we will see marvelous and practical progress in the conquest of space, in attainment of plant automation, in harnessing of atomic energy . . . with a host of new products, materials and techniques emerging.

These new forces will have profound investment significance for they will invigorate many companies—but often at the expense of less able competitors. TO YOU, as an investor, this adds up to an increased need for continuing investment research and capable professional counsel.

Expert Analysis of Your Present Holdings:

Our first step in serving you is to make a detailed report—analyzing your entire list—taking into consideration income, safety, diversification, enhancement probabilities—today's factors and tomorrow's outlook.

Issues to Hold and Advantageous Revisions:

Definite counsel is given on each issue in your account . . . advising retention of those most attractive for income and growth . . . preventing sale of those now thoroughly liquidated and likely to improve. We will point out unfavorable or overpriced securities and make substitute recommendations in companies with unusually promising 1957 prospects and longer term profit potentials.

Close Continuous Supervision of All Holdings:

Thereafter—your securities are held under the constant observation of a trained, experienced Account Executive. Working closely with the Directing Board, he takes the initiative in advising you continuously as to the position of your holdings. *It is never necessary for you to consult us.*

When changes are recommended, precise instructions as to why to sell or buy are given, together with counsel as to the prices at which to act. Alert counsel by first class mail or air mail and by telegraph relieves you of any doubt concerning your investments.

Complete Consultation Privileges:

You can consult us on any special investment problem you may face. Our contacts and original research sometimes offer you aid not obtainable elsewhere—to help you to save—to make money.

Help in Minimizing Your Taxes:

We keep in mind the tax consequences of each transaction and help you to minimize your tax liability under the new tax provisions. (Our annual fee is allowed as a deduction from your income for Federal Income Tax purposes, considerably reducing the net cost to you.)

Annual Personal Progress Reports:

Throughout the year we keep a complete record of each transaction as you follow our advice. At the end of your annual enrollment you receive our audit of the progress of your account showing just how it has grown in value and the amounts of income it has produced for you.

Full information on Investment Management Service is yours for the asking. Our rates are based on the present value of securities and cash to be supervised—so if you will let us know the present worth of your account—or send us a list of your holdings for evaluation—we shall be glad to quote an exact annual fee . . . and to answer any questions as to how our counsel can benefit you.

INVESTMENT MANAGEMENT SERVICE

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